

**NAVAL AIR STATION PENSACOLA**  
**COMMERCIAL ACTIVITIES (CA)/A-76 INDUSTRY FORUM**

**22-23 September 1998**

**Pensacola, Florida**

**SESSION NOTES**

**Note:** The following notes are a record of the major points of the meeting, its presentations, discussions, votes and salient group comments. It is not, however, a verbatim record of the proceedings.

# NAVAL FACILITIES ENGINEERING COMMAND

## PENSACOLA INDUSTRY FORUM

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**Tuesday, September 22, 1998**

**Welcome and Purpose**

Mr. Cliff Powell, Director, Pensacola Regionalization Implementation Team and CA Project Manager, opened the forum by introducing Rear Admiral Skip Dirren, Vice Chief, Naval Education and Training.

Admiral Dirren welcomed the participants to Pensacola. He stated that the government has done business in the past thinking that it was the only entity that could do the job. In some cases this has been true, but not in all cases.

The purpose of this forum is for the participating companies to talk to the Government and to suggest ways that they can do business with the government through contracts. The Navy needs their knowledge and input. There is a need to provide the right combination of services to the people who support the Navy. This is important because we ultimately must be able to support the battle groups that need to be deployed with the services that they need. The Navy is looking for advice from industry.

Norfolk and San Diego will be going through the same process as Pensacola. What is done at this forum is very important. There are many risks involved, and the Navy wants to control the risks.

The Pensacola community has some concerns about outsourcing and those concerns will be discussed as part of the forum agenda.

**Remarks - Mr. Bob Mumford, Achievement Associates**

Mr. Bob Mumford, the forum facilitator, outlined the overall purpose and specific goals of the two-day conference. He referred participants to the agenda, indicated that breaks would occur when most appropriate and gave out the conference telephone and fax numbers.

**Introductions and Expectations**

In order for all participants to get to know one another, each person was instructed to

interview another participant that he/she did not previously know. Afterwards, each participant was asked to introduce the person interviewed, to tell what he/she felt would make the forum successful, and relate whatever concerns they had about the forum. The questions were:

**What Would Make the Meeting a Success?** Industry participant responses were as follows:

1. We reach a consensus of opinion that would be accepted by the government.
2. We come away with a better chance of winning a government contract -- learning enough at the forum to be competitive.
3. We can learn what the Navy wants, learn their way of operating, and the amount of money that can be made by working for the Navy.
4. We understand where the Navy wants to take this effort.
5. We solidly understand what the Navy expects for the costs savings and risk mitigation.
6. We familiarize ourselves with the small business community and assist the Navy in understanding the best practices that business has learned.
7. We have a free and fully open exchange of information as to what goes into a win/win contract. We also want to learn the risks and how to give a better product at a lower cost.
8. We understand what some of the real government barriers to outsourcing and privatization are, and what we can do to break them down.
9. We get the industry perspective of how large a service contract would be.
10. We learn the basics on how the Navy and industry can work together in harmony. We need to learn to trust each other more.
11. We get information to help companies fill the void of what is needed, and also help other companies here as well as the government.
12. We understand the local needs for a government/private partnership.
13. We encourage the Navy to appreciate historical data and objective data.
14. We learn from each other and learn that for every type of service there can be a different type of contract.

15. We have a complete understanding of the services to be offered and types of contracts offered.
16. We talk about the A-76 process and how to shorten it. Specifically mentioned for discussion was wage determination and small business set asides.
17. We understand the BOS baseline at Pensacola.
18. We understand the government expectations and achieve reasonable time frames and due dates.
19. We gain an understanding of government expectations.
20. We learn what special steps the Navy has undertaken to price accurate and complete data package. Will the Navy to assign a senior officer to address industry, community, and government concerns, an ombudsman?
21. We understand how a 100 percent Native American firm can participate in this process and best team with others.
22. We understand what the Navy expects of its suppliers and what companies can do to fulfill these expectations.
23. Government management understands concerns of small and medium-sized companies and then takes action.
24. We better understand what the Navy in Pensacola and the Pensacola community are really looking for. Also, achieve a time line for execution.
25. We develop a mechanism to determine what Navy is doing with companies that are currently supplying products and services to the Navy.
26. We get a better understanding of how the Navy plans to implement the A-76 program and the ground rules that apply to the program.
27. The Navy hears industry concerns, requirements, and lessons learned.
28. Facilitation leads to free expression, so that the needs of the ultimate customers and business are understood.
29. The Navy walks away from the forum with an understanding of the capabilities and expectations of industry.

30. The government, as a representative, relates how to improve the quality of the RFP, how to communicate requirements of the RFP, and how to assign risks.
31. We understand the Navy requirements and process it will use in learning and understanding the needs of the community in this process.
32. We have an open and free dialogue between industry and government.
33. We have a mutual understanding of what the Navy is asking for.
34. We develop relationships with other industry representatives here to allow companies to help meet Navy needs for this effort.
35. We understand the process and know who the customers really are.
36. We find some initiative to help the Navy to do business more productively with fewer people and fewer dollars.
37. We understand the Navy business objectives: specifically its financial goals. How does the Navy expect its operations to improve quantitatively through this outsourcing venture?
38. We understand the CA/A-76 process and the structure and bundling of projects.
39. We obtain a clear and definite understanding of what outsourcing is all about to take back to our companies and explain exactly what the Navy is looking for.

**Concerns about the meeting?** Industry responses were:

1. We have been through a number of these meetings, but after all people forget what was said. We hope that this is really a good meeting of minds that is productive and that there is follow through.
2. We beat the hurricane!
3. Need an understanding of the things that the Navy may want.
4. Need to have follow up on forum.
5. Be able to make some progress and open our minds with dialogue.

6. Information not shared sufficiently to reach the stated goals.
7. Agenda time differs from what was originally provided.
8. The time lines of the Navy's plans for this process.
9. Government and industry do not share the same definition of risks.
10. Companies need to know early in the process whether they are competitive or not.
11. Forum may be too short to investigate and explore all of the issues.
12. Government incorporates the industry input that it receives during this forum, and the industry practices in order to reduce costs.
13. Learn from mistakes in the past; do not forget them.
14. Company business is simple and the government is making it more complex than it needs to be. Simplify the process.
15. There will not be follow up after the meeting has ended.
16. Getting detailed information on the requirements of customers for outside contractors to put in a viable cost-effective bid.
17. Local small businesses do not get lost in the process.
18. Government understands industry concerns and that industry articulates them so that the process will be win/win.

**Community Issues - VADM Jack Fetterman, USN, (Ret.), Pensacola Chamber of Commerce**

Cliff Powell introduced retired VADM Jack Fetterman of the Pensacola Chamber of Commerce who spoke on the issues the community is concerned about during this process.

Admiral Fetterman spoke on the challenges that the Navy is currently facing. He reported these challenges to be as follows:

1. Regionalization is hard because it involves downsizing. Some Navy personnel and career civil servants will be downsized. It is an emotional issue. It is very challenging, and there are concerns that military readiness may be affected.
2. There is pressure to create a model, here in Pensacola, that other communities in places such as Corpus Christi, Kingsville, Jacksonville, and San Diego can use. Wherever, the concerns are the same.
3. The military is 26% - 29% of the economic base in Pensacola. Downsizing has caused many people in different uniforms to be here. The base provides a high percentage of the dollars to the community. The threat to this is cause for concern in the community. Also, a strong community relationship with the Navy has been developed over the years. This relationship must be maintained. The sailors and their families have been treated well, and this should not be changed.
4. The press is perched to talk about any controversy involving this effort. He does not want another Guam experience in Pensacola. That was straight politics.
5. From a community perspective, there are only about 20 percent of the businesses in Pensacola affiliated with a Chamber of Commerce. Small business interests cannot be communicated through the Chamber. He had to go through the media to alert small business on how to compete in this process.
6. The community has no control over the downsizing effort - that is the Navy's business. But the community *is* challenged to get involved in this outsourcing action. There is a need to determine how small and large businesses in Pensacola can compete in this effort, and not sit by and let this opportunity pass them by.

Admiral Fetterman discussed various rules connected to contracting found in Section L (Instructions, Conditions, and Notices of Offerors) and Section M (Evaluation Factors for Award). (See Appendix D). He also briefly discussed examples of citizenship involvement, such as Partners in Education, Junior Achievement, the local LEAP program and the Clean and Green Program.

Admiral Fetterman provided several examples of how an RFP could be structured to ensure economic development.

Admiral Fetterman stated that if Pensacola loses, it will not lose 100% because the labor force is here and the price is right. But that is not what he is talking about. He is talking about local *businesses*. He further stated that he thinks that a web site would greatly help in putting out information on all the business services available locally. Businesses all over the country could see what was in the Pensacola area and start team



building. The web site would foster cross-communication.

He said that the government wants to save big money and might put all the effort into a couple of big RFPs. If this happens, he is afraid that the little guy will not be able to play. He would like to see an RFP that would state that 75 percent of contracts available will go to local businesses, but this can't be done legally. The issue is emotional, and the concerns of the community in Pensacola will apply to any community undergoing this process.

Admiral Fetterman wished the forum participants well, stated that their expressed desires during the forum were on target, and invited questions.

Question: Local small business are 20 percent of the Chamber of Commerce. Are there any other organizations that these businesses belong to?

Answer: Not that he knows of. In order for him to inform these businesses he has to go through a press conference to get the word out into the business community. This has to be a big recruitment opportunity for the Chambers.

Question: What is the definition of economic development on a program like this? Why do you believe that industry has an obligation to commit to economic development? Should this be an obligation of the contract?

Answer: He does not know if it is appropriate to state in a contract that a company that comes to Pensacola would have to get involved with the community. In some way, the contractor must give something back. He sees businesses popping up all over the place and becoming involved with, and recognized in the community. But he doesn't know how this requirement could be verbalized in a contract.

Question: How many additional jobs come from the contract? How much money will be contributed to some particular group? Is that the job of industry?

Answer: He thinks that as a prime contractor, industry has an obligation to not just take away from the community, but to give back.

Comment: The majority of these types of procurements are usually offered to the low-cost offeror. The Chamber of Commerce will have to convince the Navy to become a good contracting agency, and not select just the low bidder.

Answer: Admiral Fetterman provided an example of contracting difficulties from his experience during Desert Shield, where changes in the contract terms caused major problems and no savings to the Navy. He thinks that the Chamber of Commerce is trying to be able to

become a part of the process. At first, he wanted to become part of writing the RFP, but this would not be possible. He reiterated that Pensacola's concerns were not unique, but rather the concerns of every community in a downsizing situation.

Comment: In terms of economic development and service contracts, the majority of the dollars are going to go back into the community. We cannot forget that we have to be competitive, so now we are expanding the requirements of the contractor. Services are low margin and low overhead businesses. Small local businesses would think that we have to entertain small business. We cannot change the rules when we are dealing with the government. It is tough enough to compete with the Federal government.

Answer: Admiral Fetterman repeated that he is parochial, representing the needs of Pensacola. He has had his days of selecting the low bidder. Just do not forget the community.

Question: Where do you put the burden? On the prime contractor, on the subcontractor? When we pay taxes we are making a contribution to the local community. Primes have to be concerned about their profit margin.

Answer: If you are going to have large RFPs or large packages, the train will go by the Pensacola businesses. There are two forces at play: how to save money and how to service the community.

Comment: Jim Rollins of the Small Business Administration said that the SBA PRO-net system, an on-line access to information on businesses, may allow us to get small business information onto the Internet. PRO-net has over 500 companies in it. This is good for vendors as it is a free Internet service where overviews of companies can be obtained. Companies can be searched by zip code.

### **Consensus Builder**

The facilitator demonstrated the use of the Consensus Builder equipment we would be using from time to time during our meeting. When a proposal is suggested, anonymous votes can be taken, showing degrees of support. This method will be used during the forum, as opposed to the usual "yes" or "no" answers on substantive issues. Voting is generally done on a 1 to 5 comfort level scale, with 1 indicating very low comfort, 3 moderate, and 5 very high. Consensus is not unanimity; consensus is defined as all votes being "3" or higher.

To demonstrate the equipment, a test vote was taken, polling participants on how comfortable they were with what has occurred so far in the meeting. The results were:

**Scale**

**Vote**

1. Very low comfort	3	
2.	7	
3. Moderate	21	Mean: 2.81
4.	4	
5. Very high comfort	1	

At the conclusion of the demonstration, the facilitator invited anyone to ask for a vote during the proceedings, if they wanted to poll the group.

### **The Challenge - Captain Hugh McCullom - Office of the Chief of Naval Operations, N47**

Captain McCullom is the Director of the Navy's Competitive Sourcing Program which is the office that facilitates competition with the private sector. He is the focal point of policy and identifies candidates in the competitive field.

The objective of his program is to save money in infrastructure costs through competition with the private sector to support fleet recapitalization and modernization.

He stated that he wants to save money and does not care if the work is done in house or with outside contractors, so long as the process is fair. The end objective is to recapitalize and modernize the fleet.

The Navy is trying to identify candidates and optimal approaches for competition and is considering regionalization, homebasing, and sea/shore rotation. Once this is done, the findings will be submitted to an executive committee that will try to integrate competitive sourcing with regionalization and privatization. Ultimately, an achievable plan will be developed.

He does not believe that the DoD or Navy budgets will increase in the foreseeable future, so ways have to be found to save big money. He thinks it is likely that the Navy will drop below 300 ships. Captain McCullom does not believe another BRAC is likely. It is politically not supported.

The A-76 process has been around since the fifties, but has not been much used recently. Where it has been used, the Navy has experienced about a 30% cost savings, although this is not well documented. This number is consistent with other government entities putting work out for competition. Competition is the "forcing function" in this process.

The Navy has recently completed a personnel inventory that was a requirement of the entire government. Each billet is categorized by function and "reason code." This inventory results in three categories: competent, non-competent, and inherently

governmental function. He has every reason to believe that the Navy will be told to compete all billets in the first category.

There is very strong support for the A-76 process, both in DoD and in the Navy. For examples of supportive statements, see Appendix E.

OMB Circular A-76, Performance of Commercial Activities, is the basis for government-wide outsourcing program. It puts into place a process for making decisions on whether to do work in house or to contract out work. It also provides for a level playing field between public and private offerors when in competition. This enables Federal managers to make sound and justifiable decisions.

A-76 was not taken very seriously during the Reagan era of DoD buildup. Between 1979 and 1990, 29,000 positions were studied. Roughly half ended up in a government Most Efficient Organization (MEO) and half in the private sector. Typically, base support functions comprised the majority of the nearly 1000 studies completed. Each took an average of more than two years to complete. There was no serious "forcing function."

The A-76 process begins officially when Congress is notified. (A flow chart of the process is included in Appendix E.) Much work occurs, however, before this notification. Notification is not a request for permission. When military personnel are involved, Captain McCullom has to send a report to BUPERS for review for such issues as sea-shore rotation.

An important point for industry is that the government management plan that results in the MEO is reviewed independently to ensure that the government can really do what they say they are going to do. That is, they can complete the statement of work with the resources proposed.

A-76 has more support than other efficiency tools such as regionalization, privatization and business process reengineering, because it accommodates political issues. The process also has major support, because it delivers results. One *knows* that savings are going to be achieved.

The unions want to be engaged and people want to be able to protect their jobs. There is a conflict between saving money and job loss. Even if an MEO wins the competition, some people will lose their jobs. If a private contractor wins, the former government employees have the right of first refusal, the right to priority job placement and the right to training.

Regardless of who wins the competition, appeals are inevitable. When these appeals are exhausted and resolved, Congress is notified of the winner and a contract is

awarded or the MEO is implemented.

Several years ago a plan was developed in the Navy for this recapitalization initiative. The Navy needs to study 80,500 Full Time Equivalents (FTE's) to achieve the \$2.5B savings wedge. The breakdown on these FTE's is: 70,500 Civilian and 10,000 Military FTE's. Several issues, such as sea-shore rotation were considered in this plan, and certain billets exempted from consideration. For example, firefighters and guards were excluded.

A "negative wedge" (in the budget) was created, the essence of which was that the money to be saved through the process has been re-programmed for procurement of military equipment and so is not available to pay for personnel. Thus, the savings *must* be achieved.

Navy has a five-year plan for competition which started in FY 97 to execute the plan. At that time, 11,898 FTE's were announced to be studied. In FY 98, nearly 9000 FTE's will be studied. This is an "off year" for the fleet, because of a high level decision. Next year (FY 99) 15,000 billets will be studied. Future plans include focusing on regional studies which encompass multi-functions and establishing a 5-year strategic plan. This plan will integrate other efficiency efforts such as regionalization. However, A-76 will probably have the lead.

At the conclusion of his presentation, Captain McCullom took questions from the audience.

Question: Will the MEO (Most Efficient Organization) be made public in order to be competed?

Answer: Not during or prior to competition. The government bid will be sealed. After the competition, if the government wins, the MEO *will* be made public.

Question: How will there be a level playing field?

Answer: All bids will be sealed, both outside contractors and in house. The government determines who is the best value contractor. The best value contractor is competed. If the contractor is, in fact, 10 percent cheaper, the best value contractor wins.

If the government's in house bid wins, then the Navy brings in auditors and accountants and 10 percent to 20 percent of the MEO's are reviewed later to make sure that the government's MEO is carried out according to the in-house bid.

Question: Is the 10 percent difference based just on labor costs?

Answer: Yes.

Question: Do contractors develop the MEO? There is oversight on overhead rates on the MEO. Is that what the audit service does?

Answer: The commanding officer of the involved activity is responsible for development the management plan that results in an MEO. His/her CA team develops this plan. Contractors can provide support, but do not write the plan. The audit service conducts an independent review.

Question: On the study, the government has access to all of the internal data for one year to 1 1/2 years. Industry must come up with costs in 60 days. They are guessing what the government has in hand. Even if the government can't give industry information on the MEO, shouldn't the government give industry workload data to level the playing field?

Answer: The government tries to make the RFP process as fair as it can. Some information is available out there to help the contractors put their bids together. Also, the independent review ensures that the MEO really can perform the work.

Comment: The issue is that the trend is going towards a performance-based RFP. Contractors need workload data so they can understand and get proposals in on time.

Question: If the government submits a proposal based on performance work statement requirements, why would you readjust the MEO? If the government does not understand, that is the way it is.

Answer: Suppose private sector takes the work statement to a higher plateau, the MEO must be recalculated. Also, the private sector contractor comes up with a better idea than the government. The MEO can be calibrated to meet new standards and new dimensions. Obviously, the government will want a new performance level, if it is proposed.

Question: If we are competing with someone on new innovations, the government wins and industry loses. New ideas should not be factored in. The new ideas belong to the contractor who presents them.

Answer: Shouldn't the Navy try to balance the playing field? Shouldn't the Navy include the "nuance." Balancing is not to accommodate *how* the work is done, but *what* work is done and standards of performance such as response rate to trouble calls.

Question: Industry is paying a lot of money to plan and only has a 50 percent opportunity to win in the first place. Navy should, at some point, down select so that industry has an opportunity to judge its chances. There is probably not anyone who can bid on all the contracts coming up. Industry has to come in 10 percent lower than the military to get the

contract.

Answer: Many times the contractor that is determined to be the best value has proven itself in the past. Thus, there is confidence that they can do the work. If the Navy does not achieve the standard, the work is re-competed a year later. There are two competitive phases: (A) Best value for the dollar. This is the phase where the contractors compete and government bid is sometimes revised upwards to reach the same scope of work; and (B) The final competition, where there are only two competitors, the best value contractor and the government MEO. This is where the 10 percent kicks in.

Question: Is the savings based upon how the government was performing or the difference between the RFP and the MEO on the competitive level? Why does it take the threat of being booted out for the government to become more efficient?

Answer: This is part of cultural resistance. There are loyal and patriotic Americans who did their best. The posture in the world has changed, however. We had a large labor force supporting a 600 ship Navy. Now there is a major need to become more efficient and this has forced certain employment categories out. But there is a reluctance to do that.

Government Comment: Also, sailors have to have some work when they get off sea duty. For example, we have 800 sailors at Pensacola. The reason they are here has less to do with business than sea-shore rotation. In the CA process, the government must make a conscious decision whether to keep these types of jobs, or move them to fleet concentration areas such as Norfolk, San Diego and Jacksonville.

Question: Does OMB specify the 10 percent difference?

Answer: Yes, that is not a Navy decision, it is an OMB rule. It is not worth contracting out if there is not a savings of 10 percent.

Comment: The solicitation process is much too short. If a base shuts down, people are going on administrative leave, and the contractor on site will have to pay those people. The best value is taken away when the MEO is given the opportunity to redefine its bid and scope.

Question: Regarding audits on in-house MEOs -- where would I go to get this information?

Answer: Since the resurgence of A-76, only five studies have been completed. So they have not yet been reviewed.

Captain McCullom concluded his presentation by stating that all of the participants raised very good issues and that he hopes we can iron these problems out.

### **Pensacola Specifics -- Mr. Cliff Powell**

Mr. Powell said that he would present the current initiative from a Pensacola perspective. He reported that the Navy Commercial Activities program goals are to provide quality installation services to the Navy's training and training support missions in the Pensacola region. The Navy also wants to reduce its cost for installation services infrastructure and use service contracting to achieve the "best value" for its dollars. He described the overall goal of making support services "taste great, but less filling."

Mr. Powell stated that in the eighties the Navy had some bad service contracts that were awarded to the lowest bidder. Now, however, best value source selection gives the Navy good contracts. Good specifications allow this to occur.

The Navy selected Guam and Pensacola as pilot sites for this new round of A-76 studies. In Pensacola, approximately 20 installation service functions will be competed, involving about 2000 work years of effort.

We are obliged to conduct this process in accordance with A-76 competition procedures. These procedures provide several alternatives depending on how many employees are involved. When there are over 65 positions involved, the full A-76 process must be employed. When there are 10-65, an abbreviated process may be employed. For functions involving 10 or less employees, a direct award may be made. Mr. Powell intends in all cases to make a valid cost comparison.

Competitions will be conducted on a geographical basis, which includes several installations in the Pensacola region as well as a small public works function at Naval Station Pascagoula, MS. For information and CA updates, see their web site: <http://www.region.navy.mil>. (The range of services to be competed is outlined in Appendix F.) Medical services are not included, although repair and maintenance of medical facilities will be. Most food services are already contracted out.

Federal Acquisition Regulations (FAR) dictate procedures. The potential contracting agents for this acquisition are Southern Division, Naval Facilities Engineering Command in Charleston; the Fleet Industrial Supply Center in Jacksonville; and possibly the Fleet Industrial Supply Center, Philadelphia Detachment.

He knows that industry needs to get into the RFP process as early as possible. By November, the government will put the first draft RFP(s) on the web site. The hope is to get the first draft out by November 1998. There are a wide range of services that will be listed on the web site.

There is a wide spectrum of how the work may be packaged. Generally speaking,



small business would like to see services split into many multiple solicitations, while big business says that it is most efficient to bundle everything together into one large omnibus contract. Mr. Powell went to several users of services to determine their experience. For example, he talked with the Southern Company, Goddard Space Center and Tyndall AFB. He was advised that some services simply don't make sense to bundle. Accordingly, Mr. Powell said that he thinks there will be a number of contracts, not just one or two big umbrella contracts.

He encouraged participants to go to two web sites for further information: for the draft RFP, <http://www.region.navy.mil> and for the free Commerce Business Daily to <http://cbdnet.access.gpo.gov>.

Throughout his presentation, Mr. Powell stressed that **decisions as to acquisition strategy have not been made**. This is the purpose of this forum: to get input from industry. Neither the contract structure, the packaging nor the type of contract have been decided.

Currently, his office is developing the acquisition plan; there will likely be some combination of contracts. Some of them will likely be firm/fixed price and others will not. He is now in the RFP data gathering stage and expects some services to be converted to contract by "direct conversion" methods.

KPMG is the CA consultant that is assisting Navy Pensacola with this effort. Mr. Powell encouraged participants to read the KPMG booklet that was distributed, entitled "Transitioning to the 21st Century", about what it means to be in the public sector in the next century.

Mr. Powell concluded his prepared remarks by stressing that this process is considering all interests. First and foremost is the mission and responsibilities of the Navy. Resulting contracts must deliver support to the Navy. Also involved are the current work force, small and disadvantaged businesses and large businesses. Finally the local community has real and genuine concerns, and we must determine how to deal with them consistent with laws and regulations.

Question: How will you get IDIQ information from the contractor?

Answer: We will get this from the contracting agent. We need to decide what the Navy can buy; and moreover, what it can afford. We are trying to determine whether functions exclusively performed by the Navy personnel should be in a stand-alone contract or part of another contract. Acquisition strategy is still in development and we are looking for input.

Question: Is there a Business Case Analysis (BCA) done and can we have it?

Answer: A streamlined BCA was done in August 1997. You are welcome to it from my perspective, but I do not think that it reflects regionalization. Ultimately, the legal people will determine whether you are entitled to have a copy. I cannot make that determination.

Question: In looking at 800 military billets, are you looking to reduce or consolidate?

Answer: The Navy is not proposing to do away with them, but they are needed more elsewhere, in the fleet concentration areas. The Navy wants to take them out of the heartland. If those billets are transferred, the new person doing the work would be a civil servant or a civilian contracted employee. We're still trying to sort this out.

Question: Will the MEO include military personnel?

Answer: No, the MEO will include no sailors.

Question: The person who has the facilities contracts -- will they do all the repair for airport/seaport operations?

Answer: We have not reached a decision yet on this. Some things seem like they should be done on a stand-alone basis. For example, the Department of Defense (DOD) does fuel contracts.

Comment: You would probably not have the same people running childcare as those running utilities. But, if all work goes to the MEO, the MEO *is* one contractor, running it all.

Answer: I think that this scenario is possible, though not likely.

Question: If you are really planning to put out RFP, can you tell us where you are in the process?

Answer: Not likely. **Nothing is yet decided.** The input gathered at this forum will help us determine the best course of action with regard to competition structure.

### **Industry Contract Practices, Issues, and Recommendations I**

Upon returning from lunch, the facilitator noted that there would be small breakout groups to discuss Industry Contract Practices, Issues and Recommendations which dealt with the major differences in the way the Federal government and industry contract for services. **Task Sheet #1** was entitled **Contract Structure**.

There were six small breakout discussion groups formed. One person from each group was asked to be the spokesperson for the group and report the group's findings. That spokesperson's name is listed after the group is identified. After the spokesperson completed his report, members of other groups were asked to add findings of their groups that differed from those already stated. This format for breakout group discussions was held throughout the entire forum. The results of the discussions are as follows.

**Question #1 -- From your experience, what are the major differences in the way the Federal government contracts for services and the usual private industry practice? What are the advantages and disadvantages of each?**

**Group 3** -- Ken Johnson stated that the government is too prescriptive and industry is focused more on "what" to do as opposed to "how to."

Comments from other groups included the following.

Private industry is more open with information than the government.

Private sector is motivated by profit, and the government is more performance oriented insofar as what they want to see accomplished.

Government process is more cumbersome. Industry is more streamlined. Government also has excessive oversight function. Also, government has no down select process and does not let companies know early on in the process that it is out of the running for the contract.

Government does not go broke, whereas industry can go bankrupt.

Government is inherently more fair; industry can discriminate.

Government is the largest market available; companies are smaller.

Government uses process to take place of personal responsibility. Avoids teamwork. Industry is highly pre-selective; more inclusive, more partnerships and teamwork.

Government is more adversarial based, whereas industry is more success based.

**Question #2 -- What are the most important elements of excellent Statements of Work (SOW)? Describe particularly excellent examples from your experience.**

**Group 2** -- Keith Biggs stated that his group felt detailed specs for the tasks and evaluations were important.

Comments from other groups included the following.

Government takes ownership of the SOW.

Government promotes partnership with the contractor.

Risks are described.

Timeliness and project milestones are included.

Government and contractor jointly develop the SOW.

Information on how to handle work stoppages.

Process for identifying prior existing conditions.

**Question #3 -- Describe any particular poor examples of Statements of Work from your experience. What made them so bad?**

**Group 1** -- Robert Miller began by saying that his group found that there was too much "how to" in the SOW.

Comments from other groups included:

Data is inaccurate.

SOW may contain 11 pages on, for example, how to do dusting with a cloth or 75 pages on how to arrange a mechanic's tool kit. Instructions are too detailed.

Irrelevant requirements are listed.

Personal qualifications should be addressing the results that are required.

On project performance, forms should be sent out that are short and concise. Performance forms should not be sent to competitors.

At Eglin AFB there was 3 1/2" statement of requirements for a one-person job, and required a specific number of work hours.

Lack of provision for customer feedback. Failure to clarify provisions of the Davis-Bacon Act as applied to fixed price contract.

Not enough time to write proposal after the RFP has gone out.

**Question #4 -- What is the best contract length for a service contract? Why?**

**Group 6** -- Ron Shamblin reported for this group and stated that seven or more years would allow the contractor to collect on its investment. This would result in less turmoil, more time to amortize costs and gain efficiencies, and less cost. The down side of this, however, is that there is a risk to the government if the contractor is not operating satisfactorily. The contract could cover this risk by including options along the way.

Other groups concurred in the need for a long contract.

**Question #5 -- What type of contract is most appropriate for the government in procuring services: firm fixed price, fixed price with incentives, cost plus award or other? Why?**

**Group 5** -- Bruce Adkins spoke for his group by saying that "other" types of contracts, specifically negotiated firm fixed price with incentives or cost plus with incentives, were considered most appropriate by his group. They felt that best results could not be achieved without incentives.

Suggestions from other groups were:

Most appropriate for the government is firm fixed price.

See Arnold Engineering Development Center at Vance AFB for a model on outsourcing.

**Question #6 -- What are the advantages and disadvantages of using "Preferential Procurement Sources"?**

**Group 4** -- Jim Hanley reported for this group. Comments included the following:

**Advantages**

Easily reached

Improves the likelihood of success

Reduces contractor oversight by the government

Helps local contractors

Saves marginally-qualified bidders from investing

### **Disadvantages**

Potential exists for insolvency

Financial limitations

Restricts competition

May limit access to best service/product

### **Question #7 -- Are technical exhibits problematic? If so, why?**

**Group 3** -- Ken Johnson began by stating that they were not problematic and that, although they had a time-consuming aspect, they could be sent out on disks.

Comments from other groups were:

Yes, most are incomplete and inaccurate.

Exhibits are badly executed.

Depends on the content of the bid. Some technical exhibits are essential. Only a problem if they are too difficult to understand, irrelevant, or lack verbal explanation.

Yes, there is a lack of standardization.

Some are out of date.

### **Question #8 -- What are the advantages and disadvantages of pre-priced options for service contracts?**

**Group 2** -- Keith Biggs said that the advantage is that they provide an estimate to the government. The disadvantages are that they often make contract modifications necessary, are more risky, and may limit access to best service/product.

Other advantages and disadvantages reported are as follows.

### **Advantages**

Risk of locking in price for a longer contract

Easy to write orders

Flexibility for the government

**Disadvantages**

Material prices fluctuate widely

Higher degree of risk for the contractor

No criteria for how to implement

Price/technology changes do not get incorporated

Reduced contractor risk

**Question # 9 -- What are your reactions to a "variation in quantities" clause in firm fixed price contracts?**

**Group 1** -- Robert Miller spoke for his group by saying the clause acts as a disincentive to the contractor, and they do not like this.

Other comments were as follows.

It is no problem as long as the original adjustments (increases and decreases) are part of the contract and not dealt with later on.

Risks are more on the side of the contractor than on the government. This is an unfair position.

If a baseline that can be achieved is not identified, prices will continually change and problems will continually exist. Need to determine process ahead of time.

It predisposes the need for surge and/or contract mods. It is an advantage in ordering process for the Government, but major disadvantage to contractors.

It helps to manage risk if uncertainty exists.

At this point an industry representative asked if government people could participate in small group activities. A vote was taken as to get the sense of the group. The results were as follows:

Scale	Vote	
1. Very low comfort	6	
2.	0	
3. Moderate	1	Mean: 4.16
4.	4	
5. Very high comfort	25	

### **Industry Contract Practices, Issues, and Recommendations II**

Participants were reconfigured into new small groups to deal with a new assignment, **Task Sheet #2**, which was entitled **Contract Execution, Performance and Quality Control**.

**Question #1 -- What quality control or performance measures are usually specified in service type contracts with which you are familiar? Examples: outcome measures, process measures, and customer/user satisfaction.**

**Group 1 --** Lew Waite stated that it depends on the type of contract. Customer surveys are more applicable for some services than for others.

Other comments included the following.

Outcome and process measures are more classic government measures whereas customer/user satisfaction measures are more prevalent in industry.

Prefer to see outcome in customer satisfaction. Do not like process measures. If the outcome measures are satisfactory, then the process measures will be taken care of.

Prefer to have performance outcome measures and let the contractor specify his/her contract measures. Let the contractor respond and evaluate them.

Customer/user satisfaction measures are subjective and normally get only negative responses.

Prefer Outcome and Customer/user satisfaction measures. Process measures produce bottlenecks.

**Question #2 -- Should the government rely on contractor records or conduct its own inspections of services being received? Why?**

**Group 2 --** Phil Howard said that in a true partnership, the government should rely on the contractor records. This should be built into the contract from the beginning.



Other comments were:

There should be lower surveillance by the government. Child care, for example, may have certification from a third party agency and this provides additional insight. Also, counseling services is an example. As long as the agencies meet statutory requirements, there is no need for inspections.

Industry should be a partner in developing requirements. Many in industry are doing sampling as part of the process. Incentive awards should be used to do self-checking of things that are part of the process. This should be done on a periodic, not continual, basis.

There should be infrequent government spot checks.

There should be standards specified in the RFP that are implemented and approved, so that there will be no need for inspections. It is more cost effective to audit the records.

There should be a reliance on the contractor if a team relationship is to be built.

It is more costly for the government to look at individual items.

### **Question #3 -- Is ISO 9000 appropriate for service contracts? Why?**

**Group 3** -- Eugene Berlin answered for his group by saying that it most definitely appropriate because it saves time in the long run.

Other comments were as follows.

Solves all problems that were previously discussed. Gives you everything you need. The question is whether you want to certify or do you want a compliant program.

It is not appropriate because it adds cost to the margin of performing the contract. However, it also depends on the company that comes to the table. Some companies are required to do this to do business overseas. This is a level playing field issue.

For low-skilled jobs, the cost is not justified. Could be cost prohibitive for some small contractors. Would inhibit small business participation.

Compliance is good and appropriate. If certification is required, the government should bear the cost of compliance with ISO 9000. The cost is attributed to having outside auditors come out to certify.

To spend \$30,000 on a \$1 million contract is not prohibitive. Certification that requires flow charts and other inherent work as part of the process is where the cost lies. If the government says that it wants providers in compliance with ISO 9000, this should be stated up front because it is a cost of doing business.

This has to be an acceptable method of doing business because ISO 9000-2 exists for service contracts. It may not be more expensive; you cannot tell until you do it. The cost of compliance is relative to the contract award. Small businesses may not be able to afford compliance because of the small portion of the contract that small business gets.

Cliff Powell said that quality assurance is something that gives a lot of concern in contracts. This is like the carrot and the stick. He is surprised at the warm reception to the ISO 9000 concept. Navy is looking for the best solution that assures receipt of service at the requested level of quality.

At this point, a vote was taken on four possible courses of action concerning the ISO-9000 issue. Participants were asked to vote on their preferences, with the following results:

	<b>Scale</b>	<b>Votes</b>
1	Require Certification with ISO 9000	1
2	Require Compliance	15
3	Contractor Process	21
4	No process specified; government inspects	1

**5 PM End of Day One.**

**NAVAL AIR STATION PENSACOLA**  
**COMMERCIAL ACTIVITIES (CA)/A-76 INDUSTRY FORUM**

**Wednesday, September 23, 1998**

**Overview**

The facilitator began today's session with a brief review of what we had accomplished yesterday and an overview of where we were headed today.

Small group spokespersons continued their reports on the remainder of the task sheet, **Contract Execution, Performance and Quality Control.**

**Question #4 What are the advantages and disadvantages of using bonds in service contracting?**

**Group 4** -- Greg Hollister said that the advantage was safety for the government and the disadvantage was that it represented a cost for the contractor.

Other comments on this question were as follows.

**Advantages**

It gives credibility to companies that cannot be bonded.

Good in high risk situations. Good insurance for the government in non-performance buy backs.

**Disadvantages**

It is a cost for the contractor.

It is a cost to the government with little value added.

A requirement for bonding is contrary to the partnering nature of the job being done.

In the formula of "better, faster, cheaper," this is not cheaper.

It is not necessary if the government does good source selection, except in the case of 8(a) contractors that may have no track record.

**Question #5 -- What is the best contracting method/process for refurbishing and**

## **replacing government furnished equipment and facilities?**

**Group 5** -- David Hull said that the government should provide a list of separately-priced line items for equipment and facilities. When the contractor purchases new property up front, or down the road, it should keep the property.

Other comments on this question were as follows.

There should be something in the contract that allows the contractor to do a specific number of inspections and refurbishment.

There is a debate on how to turn the equipment over to the contractor. Selling or giving equipment away is not permitted under the FAR. There is difficulty turning equipment over except in terms of GFE.

Government fails to depreciate its equipment over time. This is a problem. When using government equipment, if replacement is needed, the contractor should factor this into his/her bid.

Nothing has to be done. Government equipment can be used. The issue is the maintenance of the facilities in that the customer, contractor, and government may have different ideas about the level of maintenance.

## **Question #6 -- What thoughts do you have for transitioning service work from the government to a contractor, or from one contractor to another? What are the possible mine fields and how should these be avoided.**

**Group 6** -- Stephen Paige said that his group believed that there should be a phase-in/phase-out period. The length depends on the type of contract. The Scope of Work will be rather lengthy. The outgoing party should make this a smooth transition, by making sure that the incoming party is completely satisfied. You will find that many times civil servants who are retiring have no incentive to help the incoming contractor. Therefore, the incoming contractor will have to figure everything out on his own. This happens when the government is handing over the work as opposed to an outgoing company passing over a contract. Civil servants are sometimes upset that they are leaving their jobs.

Other comments on this question are as follows.

There is a need for a pre-turnover inventory and an acceptance inventory. Detailed planning for transition is critical. However, the government has an important responsibility to have a smooth transition plan.

There are issues surrounding the contractor hiring the people who are leaving the job to be done. It is hard to hire them if the contract bidder must provide signed resumes as part of the bid. If an employee is participating in the MEO process and talking to contractors about working for them, this may constitute a built-in conflict of interest. (The Navy answered that if an employee who is interested in being hired by the contractor, he/she may need to seek a legal opinion from the ethics attorneys, especially if the employee is working in the area of procurement.

As time goes on, it will be less and less likely to get a former Navy employee to work for the contractor because, by the time the contract has begun, the former employee will already have another job.

The MEO knows which employees are leaving their positions, but the contractor does not know this or how they can approach employees.

Contractor cannot bid civil servants into contracts during the proposal period.

The technical transition will take less time than the work force transition. There is a need to start working on these issues early on in the process as the government needs to be clear on where things are headed. It would be good to have a point of contact, on the government side, to deal with these issues.

Government contractors start at a phase-in point. The phase in should take at least 90 days for the government to transition. The government needs to find all the pieces of equipment that it has listed as part of its inventory. The contractor needs 30 days to inventory the equipment because some of the equipment does not work. Contractor needs access to facilities before the contract starts. The contractor should be given incentives for the phase in.

There is a need for regular meetings during the phase-in period. The Government can define its requirements at that time. During this time, both the incoming and outgoing contractors should be definite about what is required.

The transition period should be as short as possible. It should not be any longer than 90 days.

Transition is a paid overlap -- the incumbent and the new contractor both are being paid. There are some equipment procurement problems, especially in large contracts.

In terms of data ownership, the incumbent has to start over unless there is some provision for the purchase of information. Who owns the data?

**Small Business Issues -- Mr. Jim Rollins, Small Business Administration**

Mr. Rollins is based on Eglin AFB and is a Small Business Administration Procurement and Technical Assistance Representative for the Gulf Coast. His main assignment is to Eglin, but he was asked to participate on the planning team for this CA process.

He said the SBA is on the team to identify any negative small business impacts and to mitigate any such impacts resulting from the Navy's process. However, at this point, there is no acquisition strategy, so his remarks have to be more generic than specific.

The SBA wants to make sure that small businesses can play in this game. The SBA will recommend and advise the Navy on acquisition strategy alternatives, as well as advise small businesses on how to get into the mainstream. However, there is some information that he cannot disclose to the businesses he is trying to help. He is playing two roles and has to be careful with proprietary information on development of the acquisition strategy.

He is looking for small business prime contracting areas, if there are any. He has to be consistent with the objectives of the Navy in this project. He wants to advise the Navy early on in the process and not have problems later on. One of the tools he has been using, particularly on the very large service-oriented contracts, is to recommend a percentage of acquisition for small businesses. He has had good experiences with this at Eglin, for example, with requiring 25 percent of the contract dollars going to small businesses.

Another tool that he uses to promote the use of small businesses is to recommend the use of evaluation factors during source selection which provide incentives for contractors to use small businesses as subcontractors. The overall objective is to make the prime contractor responsible to manage the small business program.

On June 30, 1998, the SBA published new affiliation rules for small business set-asides. These rules allow small businesses to team up for contracts without being considered a large business. (Refer to: Federal Register, 30 June 1998, page 35739). Previously, when two small businesses teamed, their sales were totaled, often taking them beyond what was considered a small business. But there is uncertainty about what the contractual results of a teaming agreement would be. Would this be a new corporation?

There is some concern in Pensacola that some company will come in and take over the running of the entire Naval base, and that no local companies will get contracts. There is no legal way to force a contractor to use local companies. But, local companies have a "natural advantage" over outside companies, if they can be found by prime contractors.

He has found that the local telephone book is not very helpful in locating very small businesses, particularly vendors.

To address these issues, the SBA is trying to get local small businesses on the Internet through its nationwide PRO-Net system. PRO-Net is a searchable small business source system with free access through the Internet and free on-line small business registration. (Address: <http://pro-net.sba.gov>). Currently there are over 500 companies in the Pensacola and Gulf region on PRO-net. It would help if the Navy would publicize PRO-Net so that more companies would participate.

This has been an incredible year for SBA in terms of new legislation. The National Small Disadvantage Business (SDB) Certification Program kicks in on October 31, 1998. Under the new legislation, an SDB can get up to 10 percent price preference if it has a SIC that is identified by the Department of Commerce. The new rules are not as strict on who can be in the program. There are new 8(a) rules; and there is a new program, HUB Zones, which involves set-asides.

Previously small business rules were optional, and were generally used when quotas were not yet met at the end of the year. Next year the rules will be mandatory.

HUB Zones represents a major shift in SBA philosophy, away from who *owns* a company to who is employed and the location of the company. The "who" is primarily people who are living at or below the poverty line. Pensacola does have designated HUB Zones.

Mr. Rollins closed by saying that there is much new legislation and that the national small business goal has been raised. This is still new, and he is still learning about the issues and impacts of the legislation. He asked if there were any questions.

Question: ISO 9000 and 9000-2 -- do you hear much from the small business community about these standards?

Answer: A number of these businesses are already certified, and this could be because the prime contractor has required it. Small businesses have complained because ISO 9000 training contractors charged them a lot and they found that they could get the same work done by some universities and colleges for very little. Quality certification requirements are not much different than the old MILSTANDARD 45208/9858A except for three more elements. But that is for manufacturing.

The real problem is for level 3 certification for software development. This has been a real hassle. In recent examples, there was no question that the user had justification for requiring the certification. But even high level engineering companies resisted! Many EE's do not want to document standards. He has had to impress upon them that this is just a requirement and

they have to comply. There is no doubt that it is a long chain of events to get there and it will probably be expensive.

### **Small Business and Community Issues - Breakout Discussion Groups**

The participants were divided into six small breakout discussion groups to work on **Task Sheet #3** which deals with **Community Involvement and Small Business**. This task had a total of five questions to be answered. The comments raised during the breakout sessions were as follows.

#### **Question #1 -- How can the government best structure its contract to ensure community involvement?**

**Group 1** -- Joseph Doherty said that community involvement will happen naturally by osmosis.

Other comments were as follows.

Have the contractor and the government agree that a percentage of the cost savings each year should go back to local economic development.

Citizenship and past performance could be part of the RFP evaluation criteria. It is difficult to stipulate a legal requirement for percentage of dollars to be put into the contract.

Set aside a certain percentage of functions from the solicitation and let small business community prime this, but do not put a small business requirement in the solicitation.

A small number of bonus points given to contractor for involving the community.

Political and community requirements and pressures must be recognized. There should be a requirement for local presence; some portion carved out for award to small businesses; and inclusion of a "community involvement" factor as part of the down-select process.

After the groups gave their comments, there were other questions asked of the government representatives.

Question: Is the government going to pay for an economic development package? Which clause in the FAR covers economic development?



Answer: None. There is no known legislation that will cover this.

Question: What does community involvement mean? Is the reference to the local community or the SBA community?

Answer: Talking about local community and small businesses. Some of the activities would be volunteer activities such as adopt-a-school, tutoring, Combined Federal Campaign.

Question: Are we talking about community involvement in outsourcing?

Answer: There are two thing we are getting at: involvement in the contract and also involvement in things that are social in nature.

**Question #2 -- Which of the "tools" described by Jim Rollins do you prefer to ensure small business gets a piece of the work at Pensacola?**

**Group 2** -- Eugene Wicklander answered by saying that the Internet could be used to identify small businesses especially for businesses inside the Pensacola area. He said that his group would rather not see percentages in the contract for small businesses, but have evaluation done which details the amount of small business involvement. The solicitation would not specify a percentage; however, the contractor would get extra points for using small businesses.

Other comments on this questions were as follows.

It would be better to go with a mandatory percentage or dollar amount for subcontractors that are small businesses.

The database needs to be pumped up. There is a tendency for certain bid strategies not to use subcontractors, but small businesses should be used.

The percentage that is carved out for small businesses should be specified.

**Question #3 -- What are the most important issues for prime contractors in awarding work to small business and other subcontractors?**

**Group #3** - Tom Pruter spoke for Group 3 and said that the important issues were quality of work and timeliness of performance of the small business.

Comments from other groups were as follows.

The financial viability and strength of the company are important.

The SIC code, integrity, and established relationships, such as a mentor/protege relationship.

**Question #4 --What are the most difficult issues for prime contractors in assuring contract compliance and quality assurance in subcontractors?**

**Group 4** -- Ed Hamm said that the proper selection of the subcontractor is the most difficult issue. If the subcontractor is found to be incompetent and unable to meet the job requirements, then it is important to get another subcontractor.

Other comments on this question were as follows.

The documentation required and time involved to execute the process.

Prime contractors have no control over them. Make sure that there is feedback from the customer on the performance of the small business.

Depth of capability is an issue. Only one person is expert in a particular area.

Availability of the subcontractor to get skilled personnel within costs.

There should be increased supervision over the apprentice workforce.

**Question #5 -- What recommendations would you make to the government regarding small business and community issues?**

**Group 5** - Rogers Patrick spoke for Group 5 and said that it makes good business sense to use local subcontractors. Accommodations should be made in the use of government facilities by local non-profits. Mandatory goals for small business drive results. Specific functions should be set aside for small businesses as opposed to requiring percentages.

Other comments on this question were as follows.

Goals should be included, but no further specification for how to implement the goals.

SIC code constraints should be minimized and provisions should be included to support a mentor/protege relationship, but do not stipulate how it should be done.

The SBA should be encouraged to work with small businesses early. A task force should be developed with small businesses and government to help promote ventures

early on in the process.

Local community colleges should give classes, open to small businesses, on how to do business with the government. Instruction would be given on contracting, invoicing, reporting, government software programs, bid cost preparation, and start-up costs of new contracts.

Advertise the talent and ability of the SBA and what the SBA can do for the community.

Get small businesses and the Chamber of Commerce involved early in the process and keep them involved. Find out why only 20 percent of the small businesses are in the Chamber of Commerce and what the Chamber is doing about this.

At this point, the facilitator decided to take a vote on small business involvement in industry contracts. Participants voted on whether the contract should specify:

- #1 A percentage, of the total contract amount, mandated for small business
- #2 Certain functions set aside without regard to costs
- #3 No specifications

The results of the vote were:

- #1 18 votes
- #2 4 votes
- #3 10 votes

It was noted that material purchases are counted as part of the percentage mandated.

**Source Selection - Mr. Herb Hollar, Southern Division, Naval Facilities Engineering Command**

Mr. Cliff Powell introduced Mr. Herb Hollar of the Southern Division, Naval Facilities Engineering Command.

Mr. Hollar said that he would speak about the last step of the CA process. The purpose of this step is to determine which is the least costly approach to the taxpayers - without regard to who does the work. Mr. Hollar invited the participants to ask questions during his presentation.

He said that he would review the ten steps of the "Best Value" process. In this process, the government does not necessarily pick the lowest cost bidder; it goes for

the best value. The process starts with the government issuing a RFP (Request for Proposals). Offerors will submit price and technical proposals in two different booklets. The booklets are evaluated and graded and where questions arise, contractors are given the opportunity to clarify. This is not a pass/fail process, but rather an effort to understand what is being proposed.

After clarifications and revisions, a final evaluation is made. "Final proposal revisions" are solicited (this was formerly known as "best and final") from those in the competitive range. Revisions are evaluated by the government, and the "best value" offer is selected. A comparison is then made with the government Most Efficient Organization (MEO) and, if the outside contractor is 10% lower, a contract is awarded. Unsuccessful offerors are briefed, if requested.

Mr. Hollar then described the details of how this process is executed in Southern Division (SOUTHDIV), which might be slightly different in other organizations. A Source Selection Plan is created that:

- Identifies team members
- Describes team responsibilities
- Describes the evaluation factors and criteria that will distinguish between outstanding and marginal bids.
- Includes an event schedule, and
- Provides forms to document findings for audit purposes.

In SOUTHDIV, two teams are used for separate evaluations: the Technical Evaluation Team and the Price Evaluation Team. The former do not see cost elements. Experts in the field of this solicitation are used to comprise the Technical Evaluation Team, people who are intimately familiar with the specifications. In fact, ideally they were involved in developing the performance work statement. However, the government must be careful not to include employees on this team who are connected with the development of the MEO, because of potential conflicts of interest. This team rates the offeror's proposals and develops clarification questions, if appropriate.

The Price Evaluation Team is comprised of cost experts who know the particular area of the solicitation. Offerors are asked in the solicitation to structure their bids in a similar way to assist in comparisons. Labor, including sub-contracted labor, must be expressed as Full Time Equivalents (FTE's). The Price Team verifies that the costs offered support the labor and materials necessary to complete the PWS. FTE data is passed to the Technical Team. This is the only data passed between the two teams. The Price Team also develops clarification questions, if appropriate.

The Source Selection Team, made up of seniors in the process, validates the lower

level teams' findings. A competitive range is determined and questions developed for discussion. Finally, a contractor is selected for recommendation.

Technical proposals are evaluated on several bases. For example, experience and past performance are used. How much and of what quality was this past experience? The offeror's proposed methods to accomplish the requirements are evaluated. How will they staff up? What will be the source of supplies? What is the management plan? After reviewing the proposal the team makes an evaluation of the offeror's understanding of the work requirements and the proposed resources to accomplish the work.

As an example of the technical evaluation process, Mr. Hollar provided a work sheet from a previous solicitation. This work sheet, part of the RFP, is used to structure answers to important questions, while limiting the answers to a reasonable length. What is valued is specificity, not volume. (This work sheet is provided in Appendix H).

Each component in the proposal is rated against the evaluation criteria that was developed before bids were made. A value judgement is made, not points awarded. Components that are marginal or unacceptable are often the basis for questions for clarification. They might, however, be the basis for an overall grade of unacceptable. Some elements may be considered critical, but are usually not designated as such in the RFP. All proposals receive an overall evaluation.

The Price Proposal requires breakouts for:

- Direct labor
- Indirect labor
- Overhead and G&A
- Direct material
- Subcontracting costs, and
- Profit

It must include the number of direct FTE's, as previously stated. Further, the Price Proposal also breaks costs down into "fixed price" and "indefinite quantity" elements. The former are services that are steady and predictable, the latter services that are indeterminate and unpredictable, although annual levels of effort are usually known.

There is a tendency on the part of many offerors to "beef-up" the fixed price component, while shortchanging the indefinite quantity element. The reason for this is that this ensures cash flow to meet the payroll, but this approach is usually not welcomed by the government.

Both teams make reports to the Source Selection Authority. The government has the authority to select other than the low bid when one of three conditions are met:

- Performance offered is beyond the governments expectations expressed in the PWS. This is known as an "unexpected dividend" and becomes mandatory upon award of a contract.
- An offeror's excellent past performance. For example, were option years accepted in previous multiple year awards?
- When a lower risk to the government is proposed. This is very subjective and hard to put a price on.

The Source Selection Authority then reviews the Best Value offer and the government Technical Proposal Plan. The Authority may review the MEO and the independent review data, but may not see the In House Cost Estimate (IHCE) at this point.

If the Best Value offer exceeded expectations, as described above, the team must justify the basis for their determination. In this case, the PWS must be modified to accommodate the new features and a solicitation amendment issued. Further, the government MEO, TPP and IHCE must be revised. This could involve additional staffing, different equipment or other enhancements.

If the Best Value offer was on the basis of lower risk or past performance, then the terms and conditions of the solicitation have not been changed. In this case, justification must be documented, but no changes are made to the PWS, MEO, TPP or IHCE. The cost comparison form can then be completed.

At this point, Mr. Hollar completed his prepared remarks and the group was dismissed for lunch, to reassemble following the lunch hour for questions.

Question: What percentage of the time have you seen the "best value" contract win rather than lowest, technically-qualified bidder?

Answer: Very rarely, because specific questions are asked and specific criteria are subjected to the offer. These are worked out and usually the government gets the best value. There are very few times that the government picks other than the lowest cost.

Question: There is no conversion change on assets, where does the gain on assets go?

Answer: If the government does not provide the assets, that means that someone has to buy it. Gain on assets is then subtracted. Could be a plus or minus situation.

Question: For what period of time are these costs compared?

Answer: At a minimum, the period is 36 months. There is a need for special permission for solicitation to go beyond 60 months.

Question: Does the proposal become mandatory if the contract is awarded?

Answer: Yes. Anything offered in the technical proposal becomes part of the contract.

Question: When the government is unable to provide information, does that quantity become a part of the contract?

Answer: If the government does not have sufficient information to place a bid, there should not be a solicitation. If there is not projected workload profile, there is no basis for an MEO or a bid. The biggest problem in a CA study is that the government does not run itself as a business and does not account for itself.

Question: If, in the child care area, the government says it does not have detailed information on the number of employees needed and tells the contractor to assume an estimated number of employees, does this become part of the contract?

Answer: If the government specifies that you must have, for example, six people or if you specify six people, that becomes part of the contract. But, if the work to be performed is the way the solicitation was constructed, then the government does not care how many people are used.

Question: Is there a situation where you don't inflate Wage Grade (WG) but do inflate General Schedule (GS) over time?

Answer: If you are talking labor, wages are not inflatable. There may be people outside business unit and may have inflated wages over time. Government labor is typically not inflatable.

Question: Regarding federal income tax, is .5 percent usually used?

Answer: Companies pay federal income tax, so that reduces the cost of contracting to the government. .5 is sometimes used, but it is usually a smaller percentage than this.

### **Source Selection -- Discussion Groups**

After Mr. Hollar's presentation, the participants broke up into six small discussion groups to work on **Task Sheet #4** entitled **Source Selection**. The following represents the results of

group discussions.

**Question #1** -- What were your group's reaction to the presentation by Herb Hollar?

**Group 1** -- John Shinnick stated that Mr. Hollar's presentation was outstanding. Other comments were the following:

Mr. Hollar was a dynamic speaker. He gave detailed information with good specifics.

The presentation was informative and amplified the statutory process of source selection. Source selection is probably the most disciplined part of the procurement process.

Presentation was entertaining as well as informative.

**Question #2** -- What issues and concerns do you have for the source selection process?

**Group 5** -- Bubba Drinkard said that his group wants to see Sections L and M soon, perhaps on the Internet even if it is in a draft stage.

Other comments included the following.

We need an early down-select process.

Contractors cannot get equal or comprehensive information

Although the government might propose a "best value" source, it rarely happens.

An impromptu question and answer period ensued, with the following issues being raised.

Question: Can the MEO be adjusted up and down?

Answer: It was originally intended for being adjusted up. Some of the newer things being done could lend themselves to be adjusted down. A definitive answer to this question is not known. Source selection/best value is new to the CA/A-76 process. To date in three examples, the government's bid was adjusted up.

**NOTE: In my view, this is not the answer to the question. The question is *can* an MEO be adjusted down. We answered that it has not yet been.**

Question: One of the concerns is if the contractor puts in a good system and can get maintenance costs down by a third, the government says the system looks great. Then the government wants to look at the MEO and adjust it?



Answer: No, because the government does not have details on the contractor's performance. The government would have to figure out how it can do it. The government's CA team does not get access to the contractor's technical proposal or details of the cost estimate. It only gets the new performance standard and must determine if it can do the work at a new level.

Question: Are the CR's and DR's a way of keeping more people on technical board to get to lowest cost?

Answer: The Source Selection Board is looking at the offer in its totality. What is so compelling is that it would not take the lowest bidder. The Government must justify paying this higher amount.

Question: In recent experience, are you referring to A-76 contracts?

Answer: A-76 has not been done in the Southeast since about the 1980's, so "recent" means non A-76 contracts.

Question: When does the down-select process work well? There are so many A-76 projects going on and the contractor can only bid on two or three contracts. Contractors cannot afford to spend dollars to bid on projects when there is little possibility of getting them.

Answer: (by one of the industry participants) There are things that a contractor can do to determine if he/she is on the right path. They can do site visits, pre-qualifications, or orals to see if they need to go to the next step. Down-select can be advisory in nature. The contractor may not be told that he/she should not bid, but just told that the situation does not look promising.

The facilitator summarized the discussion by noting that there are two different types of down-selecting. One type is when everyone who is qualified stays in the running. The other type is when government eliminates contractors to end up with, say, the top 5.

Comment: A distinction must be made between mandatory (final) or advisory. Mandatory means they can come back as a subcontractor.

Comment: Down selecting should be done as it saves the contractor money.

The government noted the great interest in down-selecting, and understood the reasoning behind this concept. This will be taken into consideration in this A-76 study.

**Question #3 -- What recommendations would you make to the government regarding source selection?**

**Group 6** -- Mike Vogt stated that the time line should be compressed and down selection should be inserted early in the process.

Other comments on this question include the following.

A period of observation should be offered and a thorough debriefing should be given for those who do not receive the award.

Different procurement methods should be used.

Past performance reports should be turned in on other contractors to see who really is qualified.

### **Packaging/Bundling -- Group Discussion**

At this point, participants were divided again into small groups to discuss **Task Sheet #5**, which is entitled **Packaging the Work**. The results of the discussion on this issue are as follows.

**Question #1 --How should the work to be competed be packaged specifically? Provide your group's top two choices and the rationale.**

**Group 4** - Lew Waite began the discussion by stating that there should be one solicitation. The prime contractor can then present one face to the government. Other groups reported the following results.

**Group 1** -- Bob Gagen stated the following options for Group 1.

Option 1 - One solicitation for all functions

- lowest cost
- single point of responsibility
- ease of administration
- eliminate contractor interfaces

Option 2 - Three solicitations

- logical
- regionalization
- may be more politically palatable

**Group 5** -- Ken Ptack stated the following options for Group 5.

Option 1 - One solicitation

- cheaper for the government

- single point of contact
- minimum of 7 years, but would prefer 10
- mandatory percentages for small businesses

Option 2 - Three solicitations. They only selected this as a second option because they were asked to as part of the task.

**Group 2** -- Matthew Kinnahan stated the following options for Group 2.

Option 1 -- One contractor

- efficiency
- single point of contact
- down side is that all power rests with one contractor

Option 2 - Three contractors

- facilities
- QOL (Quality of Life)
- Direct conversions: opens things up for other contractors and there are possible cost savings

**Group 3** -- Joe Doherty stated the following options for Group 3.

Option 1 - One prime contractor and many subcontractors

- less expensive
- less administration
- one overall responsible contractor

Option 2 - Two contractors

- facilities management/airfield and seaport
- MWR (Morale, Welfare, and Recreation)
- more competition

**Group 6** -- John Shinnick stated the following options for Group 6.

Option 1 - One solicitation/one omnibus contract (20 percent of total contract value before fee)

- single point of contact
- economies of scale
- less government management and oversight

Option 2 - Two solicitations

- (Large businesses) facility maintenance, transportation, utilities, PWC (Public Works Center), environmental, airfield and seaport

- (Small Businesses) MWR, BOQ (Bachelors Officers Quarters), BEQ, CDC (Child Development Center), FSC (Family Service Center)

### **Concluding Comments -- Cliff Powell**

Mr. Powell thanked participants for coming to the forum to share their ideas, and told the participants that he was surprised at their input on ISO 9000. He stated that the Navy will take another look at ISO 9000. They will also look at the incentive and award process.

In addition, a serious look will be taken at the contract transition plan. During the period of the 1980's, it was a bad time for transitioning work to contractors, and the Navy should be just as vigilant at the back end of the transition period as on the front end.

The down-select process comments were also surprising. We all have a tendency to become myopic and look only at Pensacola. Now the Navy has an opportunity to look more comprehensively at the down-select process in context of the evolving environment throughout the service sector and DOD wide competitions.

Mr. Powell said that he had listened and learned a lot over the past two days. He asked the participants to diligently fill out evaluation forms as this was an important feedback loop for all concerned.

The participants thanked the Navy for caring and giving them the opportunity to attend the forum. They felt that the forum was very helpful. They asked if they could do a site review at the base. The Navy said that it would allow them to look over the site at some point in time in the future.

Mr. Powell again thanked all for attending the forum.

## Appendix A

<b>CA Industry Forum Commercial Firm Participants</b>			
<b>Company</b>	<b>Attendee's Name</b>	<b>Street Address</b>	<b>City/State/Zip</b>
Advanced Engineering & Research Assoc Inc	Monica Moore	6706 N Ninth Ave	Pensacola FL 32504
Aramark Corp	Jim Tully	1101 Government Services 20Fl	Philadelphia PA 19107
Arctic Slope World Svcs Inc	Eldon Riley	3033 Gold Canal Drive	Rancho Cordova CA 95670
Brown & Root	Bob Gagen	9900 Westpark Drive	Houston TX 77063
Coca Cola Enterprises	Sara Wiggins	7330 N. Davis Highway	Pensacola FL 32504
Computer Sciences Corp (CSC)	Joseph Doherty	3160 Fairview Park Drive	Falls Church VA 22042
Day & Zimmermann Services	Jim Hanley	33 Villa Road, Suite 200	Greenville SC 29617
Drug Free Workplaces, Inc	Carol Law	117W Garden Street	Pensacola FL 32501
Duke Engineering & Svcs	Robert Weiler	400 South Tryon Street	Charlotte NC 28202
Dynamics Concepts, Inc (DCI)	George Bohler	2176 Wisconsin Ave N.W.	Washington DC 20007
Dyncorp	John Shinnick	2000 Edmund Halley Drive	Reston VA 20191
Earth Tech	Tom Hastings	1420 King Street Suite 600	Alexandria VA 22314
EG&G Inc	Tony Fresina	400 West Central Blvd.	Cape Canaveral FL 32780
Escambia County Utilities Authority	Bernard Dahl	9250 Hamman Ave	Pensacola FL 32523
Information Network Systems Inc	Lew Waite	1140 Northbrook Drive Suite 100	Pensacola FL 32504
J&E Associates	Eugene Wicklander	1100 Wayne Ave Suite 820	Silver Springs MD 20910
J.A. Jones Management Svcs Inc	Robert Miller	6135 Park South Drive Suite 250	Charlotte NC 28210
Jacobs Engineering	Bruce Adkins	1111 So. Arroyo Parkway	Pasadena CA 91105
Johnson Controls	Ed Hamm	7315 North Atlantic Avenue	Cape Canaveral FL 32920
Landis & Staefa Inc	Bobby Marcus	1231 Barrancas Avenue	Pensacola FL 32501
Lear Siegler Services Inc	Tom Pruter	Operations Office 207 E. Main St	Pensacola FL 32501
Litton/PRC	Kenneth Ptask	13334 Lake George Lane	Tampa FL 33618

Lockheed Martin Aircraft & Logistics Ctrs	Kenneth Johnson	107 Frederick Street	Greenville SC 29607
Manufacturing Technology, Inc (MTI)	Keith Biggs	70 Ready Avenue N.W.	Ft Walton Beach FL 32548
Nelson Mechanical Contractors Inc	Gilbert Nelson	211 E. Brent Lane	Pensacola FL
Northrop Grumman	Ron Shamblin	2411 Dulles Corner Park	Herndon VA 20171
Piping and Equipment, Inc	Bubba Drinkard	8781 Paul Starr Drive	Pensacola FL 32514
Raytheon Systems Company	Eugene Bertin	901A Grier Drive	Las Vegas NV 89119
Science Applications Intl Corp (SAIC)	Michael Vann	8301 Greensboro Dr MS E-12-7	McLean VA
Smith's NDT Services Inc	Clifford Smith	8295 N Palafox Street	Pensacola FL 32534
Southern Company Energy Solution Inc	Billy Wise	241 Ralph McGill Blvd N.E.	Atlanta GA 30308 Bin 10197
Space Mark Inc	Greg Hollister	5520 Tech Center Drive	Colorado Springs CO 80919
Support Services	Sammy Fitzpatrick	1901 Nicole Street	Pensacola FL 32507
Sverdrup	Mark Williams	1500 Lewis Turner Blvd	Fort Walton Beach FL 32547
Symvionics Inc	Wil Gorrie	12625 High Bluff Dr Suite 320	San Diego CA 92130
Tesco Inc	Charles Lambeck	133 Louiselle St	Mobile AL 36607
Unidyne Corp	Stephen Paige	9165 Roe Street	Pensacola FL
US Filter Operating Services Inc	Les Kemp	7324 Commercial Circle	Ft Pierce FL 34951
YMCA of Greater Pensacola	Skip Vogelsang	410 North Palafox St	Pensacola FL 32501

CA Industry Forum Guest, Navy Participants, Observers, and Forum Support Staff			
Name	Representing	Role	Email Address
RADM Skip Dirren	Area Board of Directors Chairman, Vice CNET	Observer	Not currently available
CAPT Mike Denkler	Area Commanding Officer, NASP	Observer	nasp.00000@smtp.cnet.navy.mil

CAPT Jim Allen	Business Unit Director	Participant	allenjr@pwcpens.navy.mil
CDR Chris Vitt	Business Unit Director	Participant	NASP.19000@smtp.cnet.navy.mil
Rogers Patrick	Business Unit Director	Participant	NASP.22000@smtp.cnet.navy.mil
CDR Kevin White	Business Unit Director (acting)	Participant	nasp.30000@smtp.cnet.navy.mil
VADM (R) Jack Fetterman	Community Issues Speaker	Speaker	Not currently available
Tom Connell	Congressman Scarborough's District Rep	Guest	Not currently available
David Hull	Escambia County Chamber of Commerce	Guest	Not currently available
TBD	Facilitator Assistant	Support Staff	achasoc@aol.com
TBD	Facilitator Assistant	Support Staff	achasoc@aol.com
Bob Mumford	Facilitator, Achievement Associates	Support Staff	achasoc@aol.com
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Cliff Powell	Navy CA Project Manager	Speaker	Powellcg@pwcpens.navy.mil
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Herb Hollar	Navy Representative, EFD SDIV	Speaker	Hlhollar@efdsouth.navfac.navy.mil
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CAPT Hugh McCullom	Navy Representative, OPNAV N47	Speaker	Mccullom.hugh@hq.navy.mil
CDR John Bollinger	Navy Representative, OPNAV N47	Observer	Bollingerjr@hq.navfac.navy.mil
Mike Wells	Navy Rep, Small Business Advocate	Observer	Rmwells@efdsouth.navfac.navy.mil
Laura Subel	PTAC, Small Business Advocate	Guest	Lsubel@uwf.edu
Garnett Breeding	Santa Rosa County Chamber of Commerce	Guest	Not currently available
Chris Tandy	Senator Mack's District Rep	Guest	Not currently available
Jim Rollins	Small Business Administration	Speaker	rollins@eglin.af.mil



## **Appendix B**

### **PENSACOLA INDUSTRY FORUM**

#### **PURPOSE AND OBJECTIVES**

(Draft Sept 18, 1998)

**Overall Purpose:** For the Navy to learn from industry their views on the most effective way to structure large service contracts.

**Specific Outcomes:**

- Industry understanding of the reason for contracting out initiatives in the Navy
- Industry understanding of the broad A-76 process
- Navy understanding of how service contracts are best structured
- Navy understanding of how service contracts should specify quality and performance measures
- Industry understanding of small business issues and concerns
- Navy understanding of how these concerns can be accommodated
- Industry understanding of Pensacola community concerns
- Industry understanding of the source selection process
- Navy understanding of industry's concerns regarding source selection
- Navy understanding of possible contract obstacles and pitfalls

## Appendix C

### PENSACOLA INDUSTRY FORUM

#### AGENDA

(All times approximate)

#### **Tuesday, September 22, 1998**

- |       |  |
|-------|--|
| 8 AM  | <u>Welcome – Rear Admiral Frank M. Dirren, Vice Chief of Naval Education and Training</u>  |
| 8:15  | <u>Introductions, Logistics, and Equipment – Mr. Bob Mumford, Facilitator</u> <ul style="list-style-type: none"><li>• Breaks, lunch, restrooms, telephones, fax, meeting notes, etc.</li><li>• Introductions and measures of meeting success</li><li>• Equipment demonstration</li></ul> |
| 9:30  | <u>Community Issues – VADM Jack Fetterman, USN. (ret.), Pensacola Chamber of Commerce</u> <ul style="list-style-type: none"><li>• Presentation</li></ul>   |
| 10:15 | <u>The Challenge – CAPT Hugh McCullom, Office of the Chief of Naval Operations, N47</u> <ul style="list-style-type: none"><li>• Driving forces</li><li>• A-76 process</li><li>• Scope of program</li></ul>   |
| 10:45 | <u>Pensacola Specifics – Mr. Cliff Powell</u> <ul style="list-style-type: none"><li>• Scope of Pensacola initiative</li><li>• Services to be competed</li></ul>  |
| 11:15 | <u>Industry Contract Practices, Issues and Recommendations I</u> <ul style="list-style-type: none"><li>• Structure and description</li><li>• Small group development</li></ul>   |
| 12:00 | <u>Lunch in the Goshawk Room</u>   |
| 1 PM  | <u>Industry Contract Practices, Issues, and Recommendations, I (continued)</u> <ul style="list-style-type: none"><li>• Plenary discussion</li></ul>  |

- 2:00            Industry Contract Practices, Issues, and Recommendations II
- Execution, quality, and performance issues
  - Small group development
  - Plenary discussion
- 4:55            Review of Day One, Overview of Day Two
- 5:00            Adjourn
- 5:15            Cash Bar and Reception in Goshawk Room

**Wednesday, 23 September**

- 8AM            Overview of Day Two
- 8:10            Industry Contract Practices, Issues, and Recommendations II (continued)
- Plenary discussion
- 8:30            Small Business Issues – Mr. Jim Rollins, Small Business Administration
- Applicable laws
  - Tools SBA has available
- 8:50            Small Business and Community Issues (continued)
- Industry reactions, concerns, and recommendations
  - Small group development
  - Plenary discussion
- 12:00          Lunch in Goshawk Room
- 1 PM          Source Selection – Mr. Herb Hollar, Southern Division, Naval Facilities  
Engineering Command
- Best Value procurement
  - Structure, membership, processes
- 1:45            Source Selection (continued)
- Industry reactions, issues, and recommendations
  - Small group development

- Plenary discussion
- 2:45 Possible Contract Obstacles
  - Industry perceptions and recommendations
  - Small group development
  - Plenary discussion
- 4:00 Closing Remarks – Mr. Cliff Powell
- 4:15 Conclusion and Evaluation
  - Individual evaluations
- 4:30 Adjourn

## **Appendix D**

### **VADM Jack Fetterman's Presentation on Community Issues**

#### **Slide One**

##### **Excerpts of Community Issues**

- Section L: Instructions, Conditions, and Notices of Offers
- Section M: Evaluation Factors for Award
- Examples of Economic Development
- Examples of Citizenship Involvement

#### **Slide Two**

##### **SECTION L INSTRUCTIONS, CONDITIONS, AND NOTICES OF OFFERORS**

- EACH OFFEROR SHALL SUBMIT PLANS DETAILING THEIR APPROACH TO LOCAL AREA CITIZENSHIP INVOLVMENT.
- EACH OFFEROR SHALL SUBMIT PLANS DETAILING THEIR COMMITMENT TO LOCAL AREA ECONOMIC DEVELOPMENT.
- EACH OFFEROR SHALL SUBMIT A SMALL BUSINESS AND SMALL DISADVANTAGE BUSINESS SUBCONTRACTING PLAN. THE PLAN WILL IDENTIFY ALL LOCAL AREA COMPANIES.

#### **Slide Three**

##### **SECTION M EVALUATION FACTORS FOR AWARD**

- THE OFFEROR'S SMALL BUSINESS AND SMALL DISADVANTAGE BUSINESS SUBCONTRACTING PLAN WILL BE EVALUATED. SPECIAL CONSIDERATION WILL BE GIVEN TO THE OFFEROR'S USE OF LOCAL COMPANIES.
- THE OFFEROR'S ECONOMIC DEVELOPMENT PLAN WILL BE

EVALUATED.

- THE OFFEROR'S CITIZENSHIP INVOLVEMENT WILL BE EVALUATED.

#### **Slide Four**

##### **EXAMPLES OF ECONOMIC DEVELOPMENT**

- LOCATE CORPORATE SUBSIDIARY IN LOCAL AREA WITHIN FIRST YEAR OF CONTRACT
- INVEST \_\_\_\_\_ % OF FEES AND \_\_\_\_\_% OF COST SAVINGS IN LOCAL ECONOMIC DEVELOPMENT AND GROWTH INITIATIVE.
- \_\_\_\_\_% OF ALL SUBCONTRACTORS AWARDED TO LOCAL COMPANIES.

#### **Slide Five**

##### **EXAMPLES OF CITIZENSHIP INVOLVEMENT**

- PARTNERS IN EDUCATION
- LEADERSHIP ROLE CHAMBER OF COMMERCE
- JUNIOR ACHIEVEMENT MEMBERSHIP
- CORPORATE SPONSORSHIP OF LEAP
- CLEAN AND GREEN SPONSORSHIP
- SPONSORSHIP OF CULTURAL ORGANIZATIONS

## **Appendix E**

### **CAPT Hugh McCullom's Presentation on Navy Competition Program**

#### **Slide One**

#### **NAVY COMPETITION PROGRAM**

##### **Recapitalizing the Fleet**

Presented by CAPT Hugh McCullom  
Industry Forum  
Pensacola, Florida  
22 - 23 September 1998

#### **Slide Two**

##### **Mission**

- Navy's Competitive Sourcing Advocacy office and resource sponsor for competitions
- Focal point for implementing OMB Circular A-76 policy
- Identify candidates and optimal approaches for competition considering regionalization, homebasing, and sea/shore rotation
- Oversee claimants' and field activities' competitive sourcing implementation efforts

#### **Slide Three**

##### **Program Objective**

- Achieve savings in infrastructure cost through competition with the private sector to support fleet recapitalization and modernization.

#### **Slide Four**

## **Why Competitive Sourcing?**

- To recapitalize and Modernize the Fleet
- DoD/Navy Budget not expected to ramp-up
- OMB Circular A-76 Process tried and true for over 35 years
  - Competition is the key enabler
  - Past Navy competitions yielded 30% savings
- Urgent need to reduce costly infrastructure
  - Future BRACs not anticipated near term
- Program has strong OMB/DoD support and guidance
  - Current CA/DRID 20 Personnel Inventory
  - CORM Report, SECDEF/DPG Guidance, DRI
- Navy leadership committed to Competitive Sourcing...

## **Slide Five**

### **Senior Guidance**

#### **DEFSECDEF Guidance Memorandum, 26 Feb 96**

- “Make outsourcing and privatization a priority within your department.”



## **CORM**

- “A 20% savings from outsourcing the Department’s commercial-type workload would free over \$3B per year for higher priority Defense needs.”

## **DPG Guidance**

- “DoD Components will aggressively pursue outsourcing of functions and privatization of activities as a means of providing efficient and responsive support at reduced costs.”

## **DRI, Chapter 3, “Streamlining Through Competition”**

- “By 1999, DoD will evaluate our entire military and civilian work force to identify...functions...for competition under the A-76 process.”

**VCNO Message Jun 98:** “Competitive Sourcing is a key component of the Navy’s infrastructure cost reduction strategy.”

## **Slide Six**

### **OMB Circular A-76 Performance of Commercial Activities (Aug 1983)**

- **Guiding Documents:**
  - **Revised Supplemental Handbook (Mar 96)**
- **Basis for government-wide program**
- **A PROCESS designed to:**
  - Balance interests of parties to a make or buy decision
  - Provide level playing field between public and private offerors to a competition
  - Encourage competition and choice in the management and performance of commercial activities
- **Designed to empower federal managers to make sound and justifiable decisions**

## **Slide Seven**

## **Navy A-76 Experience**

- 29,000 positions studied (1979-90)
  - 15,000 in-house w/20% MEO savings
  - 14,000 contract w/30% contract savings
  - Satisfactory performance either outcome
  
- 1,000 studies
  - Typically base support functions
  - Average study took 2 or more years to complete

## **Slide Eight**

Time Line

## **Slide Nine**

### **Competition Strategy to Achieve Savings**

- Navy needs to study 80,500 Full Time Equivalents (FTE's) to achieve the \$2.5B savings wedge:
  - Navy: Civilian 70,500 / Military 10,000
  - Must consider full "potential" to achieve objectives
- This competition goal accommodates:
  - Sea/Shore rotation, homebasing
  - Civilian exclusions:
    - Inherently governmental positions
    - Legislative and programmatic positions

## **Slide Ten**

Navy's Commitment

## **Slide Eleven**

### Competition Five-Year Plan

## **Slide Twelve**

### **Key Savings Areas**

Base I-Level MRP/ Training

Support Maint Construction

Food services Ships Non-family housing Skill

Base supply Aircraft Family housing Flight

BOQ/BEQ Weapons Grounds Recruit

Vehicle (ops/maint) Electronic Waterfront facilities Officer

Admin support Communication Railroad facilities Devices

Storage/warehouse Test equipment Simulators

Family services Professional Ed

Heating plants Civilian Ed

Electrical plants

Technical Services Other

Engineering Water transport

Technical Serv Air transport

RDT&E support Aircraft fueling Data process Ocean terminal ops

Studies/analysis Optical products

## **Slide Thirteen**

### **FY97 STUDY AREAS**

- Study Functions Number FTE
    - Social Services 1,411
    - Equipment Maintenance 151
    - Health Services 350
    - Base Maintenance 1,754
    - Multiple Function 787
    - Installation Services 2,563
    - RDT&E Support 2,511
    - Other Operations 317
    - Automated Data Processing 616
    - Real Property Repair 1,398
- FTE Announced 11,898

## **Slide Fourteen**

### **FY98 STUDY AREAS**

- Study Functions Number FTE
    - Social Services 1,211
    - Equipment Maintenance 287
    - Health Services 42
    - Base Maintenance 0
    - Installation Services 2,634
    - RDT&E Support 0
    - Other Operations 2,834
    - Automated Data Processing 557
    - Real Property Repair 1,043
- FTE Announced 8,608

## **Slide fifteen**

### **FY99 Plan**

- Original GOAL = Study 20,000 FTEs
- N-4 in process of developing FY99 guidance
- Continue execution of FY97/98 studies

### **Slide Sixteen**

#### **FUTURE PLANS**

- Refine candidate base by function
- Focus on regional studies
- Establish 5-year strategic plan
- Maximize use of consultants
- COMPETITION  
REGIONALIZATION  
LESSONS LEARNED  
CIVILIAN  
STRATEGY  
MILITARY  
STRATEGY

### **Slide Seventeen**

Back-Up

### **Slide Eighteen**

## **Key Program Definitions**

### **Commercial Activity:**

A process or activity which provides a product or service that is or could be provided by a private sector source.

### **Cost Comparison Study or “Study”:**

The process whereby the estimated cost of government performance of a commercial activity is formally compared, per OMB A-76 procedures, to the cost of performance by a commercial source.

## **Slide Nineteen**

## **Key Program Definitions**

### **Most Efficient Organization:**

The government’s organization to perform a commercial activity. It may include a mix of government and contractor personnel.

### **Inherently Governmental Activity:**

An activity that is so intimately related to the public interest as to mandate performance by a Federal employee.

### **Single Function Study:**

A study of a single function at a single location. A Multi-Function Study is anything else.

## **Appendix F**

### **Mr. Cliff Powell's Presentation on Pensacola Region Installation Services CA Project**

#### **Slide One**

##### **Pensacola Region Installation Services Commercial Activities Project**

Presented at the  
CA Industry Forum  
September 1998  
Cliff Powell

#### **Slide Two**

##### **CA Project Goals**

- Provide quality installation services to the Navy's training and training support missions in the Pensacola region.
- Reduce the cost to the Navy of the region's installation services infrastructure.
- Use service contracting competitions to achieve the "best value" for the installation services dollar.

#### **Slide Three**

##### **Project Description**

- Compete 20+ installation service functions that represent approximately 2,000 workyears of effort.
- Employ the OMB circular A-76 competition procedures.
- Conduct competitions on a geographical basis
- Includes NAS Pensacola, NAS Whiting Field, NTTC Corry Station, NETPDTC

Saufley, and NS Pascagoula.

- Pensacola area CA updates - <http://www.region.navy.mil/>

## **Slide Four**

### **Range of Services**

Facilities Quality of Life Base Operations  
Facility Maintenance MWR Supply  
Facility Services (Morale, Welfare & Recreation) Airfield Support  
Utility Operations Bachelor Quarters Seaport  
Transportation Galley Operations Public Safety  
Environmental Child Care Ops Mail  
PW Management Family Services Center Public Affairs  
Occupational Safety Family Housing Ops Port Operations  
See “Working Definitions and General Scope Reference” handout

## **Slide Five**

### **Procedures**

- **OMB Circular A76**
- **Federal Acquisition Regulations**
- **Potential Contracting Agents**

- SouthNavFacEngCom - Charleston, SC
- Fleet Industrial Supply Center, Norfolk
- Fleet Industrial Supply Center, Jacksonville

OMB Circular A76 - <http://www.whitehouse.gov/WH/EOP/OMB/html/circular.html>

FAR - <http://www.arnet.gov/far/>

## **Slide Six**

### **Schedule**

- Nov 98: Issue first draft of request for proposal(s).



- Sept 99: Request proposals from commercial sector.
- Apr 00: Source select single contractor(s) to compete against in-house forces.
- July 00: Compare bids.
- Aug 00: Implement decision according to bid results.

For draft RFP, monitor - <http://www.region.navy.mil/>

For RFP, monitor CBD - <http://cbdnet.access.gpo.gov/>

## Slide Seven

### Current Status

- **Concluding acquisition plan**
  - Contract structure / Competition “packages” / Contracting agents
- **RFP data gathering in progress**
- **Expect some services to be converted to contract by “direct award” methods**
  - Via existing contract vehicles or new contract competitions
- **Navy CA consultant onboard -KPMG**

## Slide Eight

### Our Challenge

- **To obtain exceptional value in installation services for the Navy in Pensacola**
- **To finalize a comprehensive CA acquisition plan**
- **To manage and consider all interest**
  - Navy mission and responsibilities
  - In-house workforce
  - Small business / Disadvantaged business
  - Large business
  - Local community

## **Appendix G**

### **Mr. Jim Rollins' Presentation on Small Business Issues**

#### **Slide One**

#### **SMALL BUSINESS ISSUES**

Jim Rollins

SBA Procurement Center Representative3

#### **Slide Two**

#### **OBJECTIVE**

- **Identify Small Business Impact**
  - Feedback Needed
- **Mitigate the Negatives Where Possible**
  - Acquisition Strategy Alternatives
  - Recommend & Advise U.S. Navy
- **Advise Small Businesses**
  - Marketing Strategy

#### **Slide Three**

#### **Mitigation Tools**

- **Acquisition Strategy**
  - Identify SB Prime Contracting Areas
    - Consistant with Objectives
  - Subcontracting Strategy
    - Mandantory SB Subcontracting Percentage
    - Evaluation Factors
    - Incentives
- **New Affiliation Rules For SB Set-Asides**
  - Allows Larger SB Teams

- Ref: Fed Register, 30Jun98, Pg 35739

#### **Slide Four**

##### **SBA PRO-Net**

- **A Searchable SB Source System**
  - Free Access thru Internet
  - Free On-Line SB Registration
  - Address: <http://pro-net.sba.gov>
- **Good Tool for this Procurement**
  - Primes: Can Find Local Vendors
  - Local Vendors: Get Visibility w/ Primes

#### **Slide Five**

##### **NEW LEGISLATION**

- **SB Affiliation Rules Eased**
  - Fed Register: 30Jun98, Pg 35739
- **National SDB Certification Program**
  - Evaluation Credits and Subcontracting Incentives for selected SICs
  - FAC 97-06 & 07
- **New 8(a) Program Rules**
- **New Program: HUB Zones**

#### **Slide Six**

**Phone/E-Mail: U.S. Small Business Administration- Eglin AFB**

**Jim Rollins**

**SBA PCR**

**850/882-2605**

**or 850/882-9159**

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## **Appendix H**

### **Mr. Herb Hollar's Presentation on**

#### **Slide One**

##### **Source Selection**

Presented by Mr. Herb Hollar  
Industry Forum  
Pensacola, Florida  
22 - 23 September 1998

#### **Slide Two**

##### **CA Cost Study**

#### **Slide Three**

##### **“Best Value” Process**

- Government issues request for proposals (RFP)
- Offerors submit price and technical proposals
- Proposals initially evaluated and “graded”
- Questions are sent to offerors for clarification
- Upon receipt of “clarifications,” final evaluation
- “Final proposal revisions” are requested of those in the “competitive range”
- “Revisions” are evaluated, government chooses best value
- Government awards contract with offered provisions
- Unsuccessful offerors briefed, if requested

## **Slide Four**

### **Negotiated Procurements Source Selection Plan**

- Identifies team members
- Describes team responsibilities
- Describes evaluation factors and criteria
- Includes a procurement event schedule
- Forms to document team evaluations

## **Slide Five**

### **Negotiated Procurements Technical Evaluation Team**

- “Experts” in the required services
- Intimately familiar with the specification
- Rates the offerors’ proposals
- Develops “clarification” questions

## **Slide Six**

### **Negotiated Procurements Price Evaluation Team**

- Know the service costs
- Verify the costs support the labor and materials
- Sends “FTE” data to technical team
- Develops “clarification” questions

## **Slide Seven**

### **Source Selection Team**

- Validates “Tech’s and Price’s findings
- Determines competitive range
- Determines questions for discussion
- Selects recommended awardee

## **Slide Eight**

### **Content of the Technical Proposal**

- Experience/Past performance
- Proposed methods to accomplish the requirements
- Demonstrated understanding of the requirements
- Offered resources to accomplish the requirements

## **Slide Nine**

### **Technical Evaluation**

- Compare to evaluation criteria
- Rate proposal components
  - Highly Satisfactory
  - Acceptable
  - Marginal
  - Unacceptable
- Rate proposal overall
- Provide technical evaluation report

## **Slide Ten**

### **Price Proposal**

Includes the solicitation bid schedule requires pricing info for:

Direct labor Direct material

Indirect labor Subcontracting cost

Overhead & G&A Profit

Includes the number of direct FTEs

## **Slide Eleven**

### **Price Evaluation**

- FP and IQ unit cost reasonableness
- Direct and indirect cost support
- FP and IQ cost balance
- Provide price evaluation report

## **Slide Twelve**

### **“Best Value” Basis**

- Performance beyond government’s expectations
- An offeror’s excellent past performance
- Offers a lower proposal risk

Government has right to select other than “Low Bid” When:

### **Slide Thirteen**

#### **Best Value” Basis for CA**

- SSA reviews the “best value” and government TPP
- SSA may review the MEO and IRO data
- SSA may not see the IHCE at this point

Upon the end of the solicitation period:

### **Slide Fourteen**

#### **“Best Value” Basis for CA**

- Justify basis for “best value”
- Modify the PWS to accommodate offered feature(s) (i.e. incorporate into contract)
- Issue solicitation amendment
- Revise government MEO, TPP, and the IHCE
- Complete the cost comparison form

If “beyond expectations”

### **Slide Fifteen**

#### **“Best Value” Basis for CA**

- Justify basis for “best value”
- No changes to the PWS, MEO, TPP, or IHCE
- Complete the cost comparison form

If “lower risk” or “past performance”:



## **Slide Sixteen**

### **Negotiated Procurements**

Sealed Bidding -

Bidder submits bid costs only

Government can't discuss until "pre-award"

Low bid - hope bidder "withdraws"

Government never knows if bidder really knows

Negotiated Procurement

Offerors submit technical and price proposals

Government evaluates to assure offerors understand

Government can discuss, offeror can modify

"Highly SATs" make the "list"

Government makes award

## **Slide Seventeen**

### **Negotiated Procurements**

- Actually read the specification
- Can evaluate offerors' experience
- Cost proposal reveals "fiscal" understanding
- Technical proposal shows intentions
- However - specification will "rule"

Benefits -

## **Slide Eighteen**

### **Technical Proposal**

- Understands the scope of work
- Management approach
  - Staffing and Organization
  - Performance Record
  - Resources (equipment and materials)
- Technical approach

## **Appendix I**

### **EVALUATION: PENSACOLA INDUSTRY FORUM**

**SEPTEMBER 22-23, 1998**

#### **THINGS I LIKED BEST ABOUT THIS FORUM:**

##### **Industry**

New information

New format

Openness & exchange of info

We must partner in the future & this is a start in the right direction

Organized & on schedule

Good two-way communication

Opportunity to meet other contractors

Excellent Company representation

Excellent Navy representation.

- open exchange of information

- Great hospitality

1. = Mr. Herb Hollars presentation concerning source-selection topics

2. = Active, group participation opportunity.

Well planned - disciplined execution

good structured exercises - good mechanism for sharing -

The mixture of industries/COs invited

- Had construct & discipline

- Was a process

- exchange with others in same business

Open forum discussion

Informative, free follow of information.

well-managed - good concept for an effort of this type integrating the thoughts of all members

of the group, focus groups and reporting out process.

- Candid communication
- Well organized

Discussion on ISO 9000 (and) downselecting  
Small groups worked well

The open crossflow of information

Well organized. Good communications between government & industry.

Interface w/other contractors and learning from their experiences

- ! The information that was disseminated was extremely helpful
- ! Sharing ideas and approaches with other contractors
- ! Netweaving opportunities

- Cross flow between all parties
- Relatively candid industry exchange
- Good facilitation
- Well organized

SBA

Source Selection Process

Presentation by government - Cross discussions in open forum

As this was my first exposure to the program everything was good. The best thing is it made me feel a lot more comfortable with the Navy it's approach to give industry a chance to provide services.

- Location
- Organization
- Good info

## **Fed Gov**

Excellent Facilitation  
Excellent Program Structure  
Good information sharing

- Learned new concepts, ideas
- Easy exchange of info
- Facilitator was effective

Breakout sessions and following discussions  
Industry insights

Exchange of information between the Navy & contractors/private industry.

Facilities, layout

Very organized Focused

Government/Industry interaction

- Well organized
- Stayed on schedule
- Great contractor participation

Large & Small business agreed on bundling.

Small group discussions and presentations

### **Other**

Excellent encouragement to participate  
forum kept moving

Structured, yet allowed a free flow of information from everyone.

- Well organized
- Free flow of information
- Constructive issues were discussed.
- Informative

### **THINGS I LIKED LEAST:**

#### **Industry**

The time I lost from my business.

Not definitive enough in response to questions

- contracting office

- # of awards

N/A

Not enough information from Gov't

None

big lunches

No negative comments

Not sure all the small group sessions especially day # 1 were required.

Gov't reps held back their comments. They need to be more vocal.

Length of group task sessions could be shortened

Initial introduction exercise - too long;

Some indication from Govt that we are still not on the same team. Need to ensure that the Government listens!!!

The room was always too cold.

Small business needed to have a greater presence.

Voting

Major primes dominated the forum.

Not enough voting.

voting mechanism was unnecessary.

The introductions were a flop in my opinion. Facilitator was excellent.

still uncertain on acquisition strategy and type of solicitation.

Schedule was not established prior to arrival a conference.

- I know Gov't makes the rules...but I'm concerned that Navy wasn't entirely candid.

## **Fed Gov**

-Automated vote gizmo

Some of the people had tightly held opinions

Fetterman's overheads not available as hand out  
Acoustics were not that good.

Too little voting participation for government

TV's and screen for projection could have been larger

Industry feels that the Navy does not treat them fairly in the A-76.

Room was so large many comments were hard or impossible to hear

Room was cold

## **Other**

Nothing.

The intro process was very, very long.

## **THINGS I WOULD LIKE TO KNOW MORE ABOUT:**

### **Industry**

MEO costing rationale  
Latest guidance on SBA programs which will apply to this solicitation

Scope of work for BOS procurement  
Some more specifics about the A-76 process

Site visits and downselect

Everything! Please keep us all "in the loop".

Requirements - Schedule - Down Select

A-76 Process

Where (in what functional areas) are the military positions.

What are your requirements and Timelines.

I'll be watching the website - please keep industry informed.

BCA for regionalization

IDEF modelling

What is the NASP's intent

I would like to know if supply process might be bid out separate or at all.

Acquisition method. Small business participation.

- Navy deselection plan
- Navy's source selection plan/decision
- Omnibus vs. multiple?

ongoing process - through feedback to attendees.

more comparative data on similar efforts  
site visit

Acquisition Strategy  
SB participation  
Type of contract

Award process -

- contract type
- contract office
- open house to walk through facilities (site-visits)
- organization of all areas

What the percentage of profit we might could make on the services as this type bid is new to me.



## **Fed Gov**

"Contract Structuring"

"Down Selecting"

"Quality Assurance"

-Experience at other bases, Navy and beyond

-Let's use historic data

Down selection

"Down select" process

Other government initiatives in privatization

- Down select process

- Whether gov't MEO can be revised if they get a second bite at the apple.

## **Other**

Viable process for down-select

information on specifics of down selection process

- how conducted

- time frame for downselection

## **RECOMMENDATIONS:**

### **Industry**

- Insure prior existing condition clause w/time to properly/jointly inspect

- Allow contractor to apply Q&A and fee to all cost elements

- Make provision for shared savings to incentivize contractor cost cutting

- Establish comprehensive bidding library with copies of all current work plans, procedures, SOP's and other contracts

- Answer all contractor written questions. It is time consuming to write questions & we wouldn't do it if we didn't need answers.

- Provide detailed data on GFE so we can make an accurate estimate of replacement costs.

- Include a CLIN for contractor to charge his management costs - this allows us to better control overall costs.

- Keep bid schedule simple
- Provide meaningful workload data
- delete recurring reports which may be rarely needed or rarely used
- Don't require submittal of plans which could wait until transition to develop
- Eliminate outdated EPS standards & go with means standards.

None.

Make sure serious consideration is given to industry concerns and recommendations presented at conference. Pass as much data as possible on the Internet.

- Do this again when "PRIT" has clear vision of Gov't plans

Keep communications open.

Omnibus, one contract, FFPIA 20% SBSA of total \$, downselect, best value, observation period.

Keep the info flowing, keep industry involved as you move through to award.

Good mix of contractors.

More contractor/gov't team building. Putting the gov't on the teams was useful.

One bid vice many to support the Pensacola area.

Give us all a tour of the base facilities in question. Get us together again like this and make sure we (our companies) are informed early on in the RFP process. Make more phones available for participants' use.

Get summary out soon - keep web page updated with current info

Have policy/decision makers present

I believe that industry reps expected more info on CA study, expectations of contract and more on the decisions that are being considered.

establish bidders library with all production and workload data

Look for a single source supplier program from local area.

Open discussion

Early L & M publication

Get as much information to industry ASAP. Use internet.

More education to the local contractors & encouragement to get involved.

### **Fed Gov**

-none

Smaller room

Fewer people

Continue this type of exchange

Would have liked more use of the voting sets; Could have taken groups' inputs and then thrown them up on the board and voted priorities, percentages, etc. Would like to see voting broken up by large and small business as well as an overall score.

Better/more government to contractor ratios (40/60 gov't/contr vs. 20/80)

### **Other**

Don't ignore what was suggested or concluded

Don't be secretive.

The more industry knows, via website, the better the Gov't will be in the end.

Allot more time for substantive issues to be discussed

### **OTHER COMMENTS**

#### **Industry**

It was great!

Well run conference - professional - timelines were good.

Allow site visitations - Base tours, etc.

Well done!

Good Forum. Navy should keep them going. Facilitator was excellent.

- Nice job!

I thought we would use the voting machines more to gain data on contractor's feelings/agree/disagree.

The Navy is going the right direction in trying to answer the tough questions early in the process

Look forward to your next session.

Excellent forum

Send out notes ASAP in hard copy.

More gov't involvement regarding policy  
Informative and Productive  
We should build on this.

Keep your minds open and have **at least** one followup before releasing the RFP.

Great job pulling this together - well done - much appreciated. Thanks.

as stated during the 2 days, provide & share more information, not less.

excellent 2 day forum!

None

Really a first rate conference, the best one of these I have attended. Excellent facilitator.

Thanks...good Forum!

## **Fed Gov**

-none

Bring in USAF/NASA, etc. managers who have lived under total BOS contractor support to see their view.

Very well organized and extremely informative.

Thanks for the Forum Bob.

**Other**

I appreciated the opportunity to participate

**Note:** All comments reproduced *exactly* as written.

Evaluations received: Industry: 22    Federal Government: 11    Other: 3

## Appendix J

### Government Perceptions on Opinions Presented at the Industry Forum

The following is a summary of the key subject areas discussed by the participants of the Industry Forum. The details of this summary are found in the “Session Notes” of the Industry Forum proceedings. In addition to the following information obtained from the participants, the government understands that the participants desire (1) early dissemination of the overall acquisition strategy, (2) pre and post RFP site visits, and (3) an early down-select process.

SUBJECT AREAS	PARTICIPANTS' COMMENTS		
<i>Groups composed of industry participants were asked to provide comments on the following subject areas.</i>	Majority in Agreement	Polarized Views	Many, varying Comments
1. What are the major differences in federal government services contracts & private industry practice? <u>Comments</u> Government too prescriptive Industry more open with information Gov't more performance oriented Gov't process more cumbersome Gov't has more oversight Gov't has no down select process Gov't is inherently fairer Gov't is largest market available Gov't avoids teamwork			✓
1. Describe excellent examples of SOWs. <u>Comments</u> Detailed specs for tasks/evaluations Partnership w/contractor Risks described Identify prior existing conditions Timelines/milestones included Joint development of SOW			✓

1. Describe poor examples of SOWs. <u>Comments</u> Inaccurate data · Instructions too detailed · Irrelevant requirements	✓		
1. What is best length for services contract? <u>Comment</u> Seven years or more	✓		

SUBJECT AREAS	PARTICIPANTS' COMMENTS		
<i>Groups composed of industry participants were asked to provide comments on the following subject areas.</i>	<b>Majority in Agreement</b>	<b>Polarized Views</b>	<b>Many, varying Comments</b>
1. What type services contract is most appropriate? <u>Comments</u> Negotiated firm fixed price w/incentives · Cost plus w/incentives Firm fixed price		✓	
6. What are the advantages/disadvantages of Preferential Procurement Sources? <u>Comments</u> Easy to reach Improves likelihood of success Reduces government oversight · Potential for insolvency · Restricts competition May limit access to best service		✓	
6. Are technical exhibits problematic? <u>Comments</u> · No. Could send out on disks · Yes. Incomplete/inaccurate Depends Lack of standardization		✓	

<p><b>6. <u>Advantages</u></b> of pre-priced options for service contracts.</p> <p><u>Comments</u></p> <p>Flexibility for government Risk of locking in price for a longer contract Easy to write orders</p> <p><b><u>Disadvantages.</u></b></p> <p>Material prices fluctuate widely Higher risk for contractor · No criteria for how to implement Price/tech changes do not get incorporated Reduced contractor risk</p>			✓
<p>6. What are industry's reactions to a "variation in quantities" clause in FFP contracts?</p> <p><u>Comments</u></p> <p>Disincentive to contractors Contractors do not like No problem if original adjustments are part of contract More risks for contractor Identify baseline or prices will continually change · Predisposes need for surge/mods which is government advantage, disadvantage to contractors Helps manage risk during uncertainty</p>	✓		
SUBJECT AREAS	PARTICIPANTS' COMMENTS		
<p><i>Groups composed of industry participants were asked to provide comments on the following subject areas.</i></p>	Majority in Agreement	Polarized Views	Many, varying Comments
<p>10. What quality control or performance measures are usually specified in service contracts?</p> <p><u>Comments</u></p> <p>· Customer satisfaction surveys (5) Outcome measures Not process measures (2) Customer surveys get only negative responses</p>	✓		



<p>11.Should government rely on contractor records or conduct its own inspections of services being received?</p> <p><u>Comments</u></p> <p>Rely on contractor records (2)</p> <p>Less government surveillance (2)</p> <p>Partner with industry when developing requirements</p> <ul style="list-style-type: none"> <li>· If agencies meet regulatory inspections, then no need for further inspections</li> </ul> <p>Use standards instead of inspection</p>			✓
<p>12.Is ISO 9000 appropriate for service contracts?</p> <p><u>Comments</u></p> <p>Appropriate (2)</p> <p>Not appropriate due to cost (2)</p> <p>Compliance appropriate, not registration</p>		✓	
<p>13.<b><u>Advantages</u></b> of bonds:</p> <p><u>Comments</u></p> <p>Gives credibility</p> <p>Good in high risks</p> <p>Good if 8a has no track record</p> <p><b><u>Disadvantages:</u></b></p> <ul style="list-style-type: none"> <li>· Cost for contractor</li> <li>Cost to the government/little value</li> <li>Contrary to partnering</li> <li>Contrary to “better,faster,cheaper”</li> <li>Not necessary in source selection</li> </ul>			✓

SUBJECT AREAS	PARTICIPANTS' COMMENTS		
<i>Groups composed of industry participants were asked to provide comments on the following subject areas.</i>	Majority in Agreement	Polarized Views	Many, varying Comments
<p>14.What is the best contracting method/process for refurbishing and replacing government furnished equipment and facilities?</p> <p><u>Comments</u></p> <p>If contractor purchases new property, it should keep the item</p> <ul style="list-style-type: none"> <li>· Include specific number of refurbishments in the contract</li> </ul> <p>Selling/giving away equip is not permitted in the FAR. Difficult.</p> <p>Factor replacement of GFE into bid</p>			✓
<p>15.How to transition into new contract?</p> <p><u>Comments</u></p> <p>Company leaving has no incentive to help things go smoothly</p> <p>Need both pre-turnover and acceptance inventory</p> <p>Is difficult to hire gov't employees</p> <p>Important to have good plan</p> <p>90-day phase in</p> <ul style="list-style-type: none"> <li>· Contractor needs 30 days to inventory</li> </ul> <p>Contractor needs access to buildings before contract starts</p> <p>Incentive for contractor</p> <p>Regular meetings</p> <p>Who owns data. New contractor needs the data from previous contractor</p>			✓

<p>16.How can government best structure its contract to ensure community involvement?</p> <p><u>Comments</u></p> <p>Will happen by osmosis Gov't/contractor agree that % cost savings go to local economic development</p> <ul style="list-style-type: none"> <li>Part of evaluation criteria</li> <li>Difficult to put % of dollars in RFP</li> <li>Do small business set aside</li> <li>Bonus points for contractor</li> <li>Include as down select factor</li> <li>Use Internet to identify local small businesses</li> </ul>			✓
<p>17.What are recommendations regarding small business?</p> <p><u>Comments</u></p> <p>Mandate % for small business (18) Set aside certain functions (4) No specifications (10)</p>	✓		

SUBJECT AREAS	PARTICIPANTS' COMMENTS		
<i>Groups composed of industry participants were asked to provide comments on the following subject areas.</i>	<b>Majority in Agreement</b>	<b>Polarized Views</b>	<b>Many, varying Comments</b>
<p>18.What are the issues/concerns for source selection?</p> <p><u>Comments</u></p> <p>Publish Sections L &amp; M soon Use Internet Use early down-select process (4)</p> <ul style="list-style-type: none"> <li>“Best value” rarely happens</li> <li>Contractors cannot get equal or comprehensive information</li> <li>Offer period of observation</li> <li>Give thorough debriefing for those who do not receive award</li> <li>Obtain past performance reports</li> <li>Use different procurement methods</li> </ul>			✓

<p>19. What is the best method to package the competition?</p> <p style="text-align: right;"><u>Comments</u></p> <p><b><u>Top choices:</u></b> One solicitation</p> <p><b><u>Second choice:</u></b> Three solicitations, Facilities/QOL/Direct Conversions Two solicitations, Facilities &amp; air-seaport/QOL</p>	✓		
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